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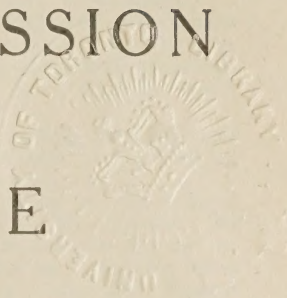
OF THE

ROYAL COMMISSION

ON

[Life]

INSURANCE



MINUTES OF EVIDENCE

VOLUME III.

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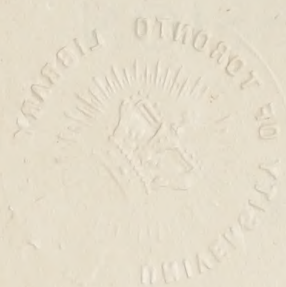
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EXCELLENT MAJESTY

1907





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52nd day, July 10, 1906.

Q.—And carried through by you in order to, as it were, oblige him or accede to what he wanted? A.—To carry out his views and benefit the company, and they were benefited.

Q.—Did you know that an insurance company had certain securities on which it could lend money? A.—Yes.

Q.—Did you know that a promissory note was not one of the securities? A.—Perhaps that did not occur to my mind at the time.

Q.—Can we get any further than that, that perhaps it did not occur? A.—Well, it did not occur.

Q.—Do you say then that you went through this transaction without any idea present to your mind that it was an improper one? A.—Well, perhaps I acted on the Manager's suggestion without due consideration.

Q.—Perhaps you did, but did you? A.—Well, I did, as a matter of fact, I did.

Q.—You acted on the Manager's suggestion without due consideration. If you had given it due consideration you would not have entered into it? A.—If it was to do I would not.

Q.—I think there are many transactions in insurance companies in the last three or four years that would not happen to-day possibly? A.—Well, perhaps so in this case.

Q.—That was paid in December? A.—Because I did not want it.

Q.—You were through with it? A.—I didn't want it.

Q.—The payment back was made by you? A.—Yes.

Q.—Without any request by Mr. Spence? A.—No.

Q.—It was not in view of the Annual Return to the Government being about due? A.—No, never considered, so far as I am aware of.

Q.—Then have there been any other transactions between you and the company of that or a similar character? A.—Not that I am aware of.

Q.—Can you say positively that there were not? A.—I have no recollection of anything.

Q.—Would you not be rather apt to remember it if there were? A.—I think so.

Q.—But you cannot say positively that there were not? A.—Well, there is nothing that I have any recollection of.

Q.—Did any other director of the Board or officer of the company get any accommodation, or if you object to accommodation, was there any transaction between them of a finan-

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cial nature at all? A.—Not that I am aware of.

Q.—Between no officer or no director? A.—Not that I remember.

Q.—Were the funds of the Central Life in any way used except by way of investment in authorized securities in your time? A.—I have no recollection.

Q.—That is leaving out this one transaction of \$4,000? A.—I have no recollection about it.

Q.—Now you rather put the responsibility for that on Mr. Spence. Do you know who signed the cheque for it, you or Mr. Spence? A.—We both.

Q.—You signed and Mr. Spence signed. It never came before the Board? A.—No, not to my recollection.

Q.—Did any member of the Board know about it? A.—I could not say. Perhaps not. I have no recollection that they did.

Q.—Your understanding would be that they did not know anything about it. It was never intended that they should, was it? A.—Well, there was no discussion, there was no conversation between Mr. Spence and I that I have any recollection of as to the members of the Board being made acquainted with it and whether they were or were not individually or as a Board I could not say. I have no recollection of it.

Q.—Dr. Groves' statement would be rather inconsistent with his knowing anything about it? A.—Yes.

Q.—That would hardly be the sort of security that he was referring to when addressing the shareholders? A.—Unless he might regard me as being excellent security for the amount.

Q.—Would he use that language that he used at the annual meeting? A.—I don't know that he would look at it that way.

Q.—Although you think he would be justified in doing it? A.—Well, it was perfectly safe. They made money by it.

Q.—I think we have heard that expression before, that they made money by it. That is all, Mr. Crawford.

JOHN M. SPENCE, sworn. Examined by MR. TILLEY:

Q.—Mr. Spence, you have been the Manager of the Central Life from the time it was organized? A.—Yes, it was me that organized the company.

Q.—You promoted it? A.—Yes.



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Q.—Prior to that you had been in the insurance business? A.—Yes.

Q.—In what capacity? A.—I was agent at Hamilton for the Sun Life for a number of years before that in 1887 and I was Superintendent of the Temperance and General for nearly eight years. Then I went into the Home Life for a year and nine months at the time we reorganized the company from an assessment to a level premium.

Q.—Then you came from the County of Wellington? A.—I have lived in the County of Wellington pretty much all my lifetime. My wife and family were all born there.

Q.—And the other provisional directors came from that county? A.—Yes, all personal friends of my own. Lived where we lived.

Q.—Was Mr. Crawford a personal friend of yours before that? A.—No, I came to Toronto to get a man to take the position of President of my company and I selected Mr. Crawford.

Q.—You were looking for a President and you selected Mr. Crawford? A.—Yes.

Q.—That explains how Mr. Crawford came into the company in the beginning? A.—That is how he came.

Q.—It was at your request? A.—Yes, on my invitation.

Q.—Not because he was acquainted with you? A.—No, he was not.

Q.—Was he acquainted with the other parties? A.—I don't know that he was.

Q.—Then Mr. Crawford went with you to Fergus? A.—To Fergus. We had a meeting on the 1st August to talk the matter over and decide whether we would go ahead with the company or not, and Mr. Crawford was President at that meeting.

Q.—The 1st August, what year? A.—That would be 1900.

Q.—Then up to that time had it been arranged that Mr. St. John would come into the company? A.—No, Mr. St. John had not been thought of up to that time and was not that day either.

Q.—Were you acquainted with him? A.—No, I don't know him at all.

Q.—Then what was the arrangement you had in view when you were seeking Mr. Crawford. Did you intend to make the head office Toronto? A.—Yes, we wanted to come to Toronto.

Q.—Had you had that in your mind before? A.—Yes.

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Q.—Coming to Toronto or had you originally thought of locating in Guelph or some other place in the county of Wellington? A.—Apart from this examination I may say that we had the organization of a company under way a couple of years previous to this in Guelph but owing to a little matter in connection with a certain person the company was dropped. Then it was forgotten, so to speak and when I took the matter up again I thought Toronto would be a better centre and that is why I came here.

Q.—So far as the Central was concerned your idea was that it should be Toronto? A.—Yes.

Q.—And any idea Mr. Crawford has to the contrary is confusing this with some other company you had promoted? A.—Yes.

Q.—What was the plan you had in view when you went to see Mr. Crawford? A.—I had talked it over with my Fergus friends those in Wellington county, and I told him we would like to get two men in Toronto for the reason that we wanted one man as President and another good fellow to fill in on the Board for the purpose of having three to form an Executive Committee.

Q.—Please repeat that? A.—I wanted him as President and another good man in Toronto for the purpose of having three, so that we could have an executive committee in Toronto without bringing any of the directors down from Wellington County.

Q.—Did you arrange that Mr. Crawford should be President when you were up at Fergus at that time? A.—Yes.

Q.—I see that on July 23rd, 1900, you have a note here signed by Messrs. Groves, Dowe, Bissell and Spence as follows:—"We, the undersigned, one with the other agree to become provisional directors of a life insurance company to be hereafter named and in every legitimate way to promote the interests of the proposed company and we further agree to invite Mr. Thomas Crawford, M.P.P., to become President of the proposed company, and Major J. J. Craig, Public School Inspector of Fergus, to become a director thereof. We further agree to appoint the undersigned A. Groves and T. E. Bissell, both of the village of Fergus, our trustees for the purpose of receiving and depositing as trustees all sums of money paid in on account of the stock subscription of the same pending incorporation of



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the said proposed company." Then you settled on the directors? A.—I think that was settled on on the 1st August.

Q.—That is when you met here in Toronto, is it? A.—No, we met in Fergus.

Q.—It was arranged at any rate before the Charter? A.—Yes.

Q.—And at that time had Mr. St. John come into the company? A.—Well, now I would not be sure about that. I might explain how Mr. St. John came in.

Q.—Yes? A.—At the meeting in Fergus it was left with Mr. Crawford and myself to make a selection of another man to fill the vacancy in Toronto to make the number up to three, and Mr. Crawford and I together talked the matter over and we invited Mr. St. John. Mr. Crawford said he thought it would be proper for me to go and speak to him. I did, and he said, if Mr. Crawford was agreeable that he would be delighted to go on the board, and that was the end of it.

Q.—Then you drew this prospectus. Did you frame it? A.—Yes.

Q.—And had you had any experience in the management of a company that would warrant you in saying that a company could, at that time, be started and got on a profitable basis without any impairment of capital on receiving \$2.50 to be applied to surplus on each share? A.—I thought at that time we could have done it.

Q.—Did you do it? A.—No, we did not.

Q.—You fell considerably short of that? A.—Certainly.

Q.—Tell me why you fell short in that regard? A.—Well, the cost of insurance has increased very much since we commenced.

Q.—Since when, 1900? A.—Yes, it has been increasing every year pretty much and the expense of selling our stock was more than I thought it would be.

Q.—What did it cost you to sell stock? A.—10 per cent. of the amount paid in.

Q.—That is on each share, what was the call? A.—\$12.50. \$10 to the credit of stock and \$2.50 to bonus, making in all \$12.50. Of that we paid 10 per cent., or \$1.50 a share. That was our commission.

Q.—So that of that \$2.50— A.—Half of it went to commission.

Q.—50 per cent. went to the agent? A.—Yes.

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Q.—Did you continue selling the stock at that price throughout? A.—Yes.

Q.—Never paid any more than that? A.—Never paid any more than that.

Q.—And did not succeed in getting any at a less price? A.—Yes, there was some I got myself before I was on a salary with the company that we paid no commission for.

Q.—Did you charge a commission on what you got before? A.—Up to the time I was on salary I got 10 per cent.

Q.—Did you ever get paid anything in addition to that by way of organization expenses? A.—Not one cent. I paid all those expenses myself.

Q.—Have you any account in your books showing your organization expenses? A.—Yes, I have it all here. This is the money paid in on stock, \$200.

Q.—First the directors' money is shown? A.—The only stock that was ever sold by the company without a premium of  $2\frac{1}{2}$  was the first to the seven shareholders, they got theirs at par. Every shareholder in the company outside of the first seven directors, paid \$2.50 a share premium on the stock. But the seven directors got their stock at par. They paid no premium. That is the only ones there was no premium paid for. These are the exchanges on cheques coming in.

Q.—Did all the directors pay for their stock? A.—Yes, every one of them.

Q.—There was no gift of stock made to any person? A.—None, not a cent.

Q.—Did you pay for yours? A.—I did.

Q.—Where is your stock shown here? A.—"J. M. Spence \$200."

Q.—What amount did you receive from these shareholders? Does this outside column in the capital stock account show what went into the bank? A.—That is the amount that went into the bank; this is the amount paid and this is the amount of premium.

Q.—So that you have had a column for the stock, a column for the premium and the total that went into the bank? A.—Yes.

Q.—Supposing any promissory notes were given? A.—There were no promissory notes given for any of that.

Q.—Then "Loan Imperial Bank \$15,000." What does that mean? A.—That means \$15,000 that Mr. Crawford and I borrowed from the Imperial

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Bank to complete the \$30,000 required by the Act as paid up.

Q.—Then that was not money that was paid up? A.—We had against that the subscriptions and notes of the stockholders that had not yet paid in.

Q.—The Ontario Insurance Act, under which you incorporated, by Section 6, contains this provision: (Reads Section 6.) A.—That was not the Act at that time. It was \$300,000 at that time.

Q.—This is the Act of 1897? A.—It was \$300,000 that we were required to have subscribed.

Q.—Yes, but I have not come to the subscribed yet. This must have been the Act under which you were incorporated and there is no amendment of this section. "That \$30,000 has been paid in to some Chartered Bank of Canada?" A.—That was done by us.

Q.—A total of \$30,000 had not been paid in on the stock? A.—No, we held notes for part of it, but our provisional directors paid the money in.

Q.—You borrowed on the notes? A.—No, we did not touch the notes at all. We borrowed on our own note, \$15,000 and gave it to the company.

Q.—And got the Imperial Bank of Canada to place to your credit \$15,000 to add to what the shareholders had paid in on their shares, to make up? A.—To make up the \$30,000, that is quite true.

Q.—And you got your license at the same time? A.—Yes.

Q.—Then where is the account for the organization expenses of the company? A.—Here it is, here.

Q.—Showing what you paid out? A.—Yes. All those little items running down there. This is where we got our incorporation. We put those all under one heading.

Q.—Under March 6th you have some items collected under the name of Thomas Crawford? A.—Yes, Mr. Crawford paid for those items himself, and then we put it in under his name just simply to simplify matters.

Q.—These were small disbursements made as the license was being obtained? A.—Yes, and they were all paid by Mr. Crawford. Then comes Mr. St. John's expenses.

Q.—That would be items paid in the same way? What did your organization expenses amount to? A.—\$4,046 89.

Q.—What did you do with that, charge it up at once to profit and loss or carry it as an asset? A.—No, we never charged it. It is all in this book.

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Q.—As expenses? A.—Yes, that is in the first report.

Q.—Does that cover all you paid for expenses? A.—That pays all the organization expenses with the exception of stock that had to be paid for afterwards. Commission on stock. We would go through the book every day during the month.

Q.—Some of this stock was forfeited and had to be sold over again? A.—Yes, in which case there was no commission paid.

Q.—Was any stock sold here on which there was no demand made at all in cash? A.—No.

Q.—Did you take notes for the full amount of the call? A.—Well, when we took a subscription we generally took a note with it. It was not necessary to take a note, but we did as a matter of fact take a note with it and then these notes went into the Bills Receivable but never into the Cash Book until they were paid or something paid. Only the amount that was paid went into the Cash Book.

Q.—Did you ever get subscriptions on which no cash was paid at all, or did you insist on something being paid in cash? A.—We did not insist on anything being paid.

Q.—Sometimes you would sell the stock taking a note for the full amount? A.—Yes, it was not necessary to take the note, but we did it as a help to collection.

Q.—You did it as a means of enforcing payment? A.—Well, it would be collected better.

Q.—You put this statement in the prospectus: "It is very unlikely that another call will be made"? A.—We never expected to have made another call, and we believe if we had stayed in the Province of Ontario we would not have needed to make another call.

Q.—Why then did you issue so much stock partly paid, why not have paid up stock for a smaller amount? A.—The Act required that we should have \$300,000 subscribed.

Q.—And have you tried to get up to \$500,000 and a million? A.—Well, we have not put a man out on the road to try to sell it.

Q.—Because it is useless? A.—I suppose it is.

Q.—It is not your lack of desire to sell it? A.—No, I think we will sell the balance some day.

Q.—Why do you say to these people, you expect to issue a million dollars of stock? A.—We wanted to have a good subscribed capital, we thought

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it would give the company a better standing to have half a million subscribed. We had no desire to go beyond that while we were a Provincial company. The desire to get a Dominion license was only to help the company and we felt that if we had that license it would be a benefit.

Q.—At the time you issued the prospectus you had it in mind to be a Dominion company in time? A.—No, we did not.

Q.—Did you expect to confine your operations to Ontario? A.—What I had in my mind was that we would still be a Provincial company but still do business in the other Provinces by taking out a license.

Q.—You did subsequently make another call of 5 per cent.? A.—We did. That was done at my recommendation.

Q.—And you have not made any other calls? A.—No.

Q.—That is rather a misfortune having regard to the statement you made in the prospectus, leading these people to believe they would not have to pay more money? A.—I will admit that.

Q.—That is if you go to a person, a subscriber for stock, and there is a fund of \$400 or \$500 to be invested and then you take as much stock as you can get that amount of cash for, then if you make another call they find it hard to pay? A.—Yes, it has been a hardship in some cases, but we have not taken advantage of that.

Q.—What have you refrained from doing? A.—There is some stock that the call has not yet been paid on although the by-laws provided that it should be forfeited.

Q.—But that is not through any indulgence on your part. At the last meeting you had a resolution passed that they would all be sued? A.—There was that resolution but there has been nothing done.

Q.—Is it not an improper thing to put a statement of that kind in a prospectus when you were trying to sell stock? A.—I will admit that if we had in mind the fact that we were going up for Dominion license and would need more money it was. But we had not that in our minds at that time and had never thought of it.

Q.—Then you got your Charter and proceeded to pass the most important by-law at once; that is the one about salaries? A.—Yes.

Q.—You call that No. 1? A.—Yes.

Q.—How is it that that is not in the printed by-laws you issued to your shareholders and policyholders? A.

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—I could not tell you that. That by-law was drafted by our solicitor.

Q.—And I would think the printed by-laws would probably be his work?

A.—They were, too, but as for that by-law, salary is not a stationary thing.

Q.—Was it discussed before that by-law was passed how long your contract should be? A.—Well, in a way. Mr. Crawford took that matter up with me and made the suggestion that he would move that, what is now called a by-law, there, if it was acceptable to me and I agreed to it. I never asked Mr. Crawford; I did not name those figures myself and I did not ask him to name them; he did it of his own free will.

Q.—The arrangement was made the moment the Charter was issued? A.—No, it was some little time before. It was before the meeting of the shareholders.

Q.—March 26th, 1901, that by-law was passed? A.—The Charter was issued in February.

Q.—This was the first time you had got together after you had got the Charter? A.—Yes.

Q.—On March 4th, 1901, you had a meeting? A.—A meeting of the directors.

Q.—“Moved by Crawford and seconded by Groves, that J. M. Spence, as Managing Director, be engaged for a term of five years.” Then another meeting of the directors was held. They met first and passed the by-laws and then there was an adjournment to the Annual Meeting and you passed these by-laws? A.—Yes.

Q.—Who was the Medical Referee? A.—Dr. Groves.

Q.—One of the directors? A.—Yes.

Q.—Was that sum of \$400 referred to in the by-laws, all that was paid to the President as long as he was President? A.—That is all.

Q.—Was that \$200 paid to Mr. St. John? A.—\$200.

Q.—In the copy of the Report you sent in it was \$2,000? A.—Yes, that was a mistake, it was intended to be \$200.

Q.—It is shown here to be \$200 so I thought it must be a mistake? A.—It is shown in other places in the Report.

Q.—That was on the 26th of March, 1901, and the shareholders met again after that and sanctioned that by-law? A.—Yes.

Q.—And also sanctioned the general by-laws, which were adopted at the same time? A.—Yes.



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Q.—Do you know now if there was any discussion about including that by-law No. 1 as to salaries in your by-laws? A.—No, it was never mentioned.

Q.—You have no by-law in your printed book that is No. 1? A.—Yes, it never was needed. Mr. Crawford had that resolution and it was carried at the first meeting and it was then referred to our solicitor and I think it was at the suggestion of Mr. St. John that that was made a by-law and put through at the regular meeting.

Q.—Do you say that this contract for such a long period was rather thrust upon you? A.—No, I was quite satisfied to have it and I felt I ought to have it, but I had nothing to do with the making of it up.

Q.—Do you think it is right to start a new company with a contract with the Manager, the man who is to make or break the company, that is to last for five years and he cannot be got rid of for that time? A.—I think that it is right to make it for ten years. Five years is not long enough.

Q.—Looking at it from the directors' standpoint, if he is no good, or from the company's standpoint? A.—If he is no good he could not float the company.

Q.—He might float it for a time any way? A.—No, he would not get it under way. If he had not the ability to manage it he could not float it.

Q.—There are different kinds of ability and some men have the ability to float things but not to bring them to success? A.—The stockholders approved of it.

Q.—But that was before the stockholders got together? A.—Well, they had to approve of it. In a new company a good deal of latitude should be given.

Q.—And there should be great care in selecting the Manager? A.—Yes. I think our people took that care.

Q.—Who took the care, who selected him? A.—Our directors.

Q.—No, the promoter was the Manager? A.—If they had not confidence in me they would not have gone in with me.

Q.—I do not know that. It only cost \$200 to go in with you, and then there are fees and so on? A.—Well, those fees did not pay them.

Q.—I am not saying that they would, but a person does not risk much to go in with you and they are not

with you now? A.—Yes, all but two; all but three.

Q.—And the ones that remain are your personal friends up in Wellington? A.—The ones that remain are the ones that went in with me on the start.

Q.—Then don't you think it should be left in the position practically Mr. Crawford took at the meeting when he said I think your health has so changed that a stronger and an abler man, physically—not mentally, he does not suggest that at all—should be the Manager of this company and unless you will agree to that I am going out, and you refused to agree to it? A.—That would be all right under certain conditions; but take my case; I have given five years of my life to the company; I had every cent I had in the world into it and I had on the other hand my wife and little children that had nothing ahead of them but the poorhouse if Mr. Crawford had got his way. Do you suppose that is right?

Q.—I do not know that your wife had only the poorhouse before her. A.—Not one dollar. My last crust of bread was in it and this man would turn me down and out without consideration. If I had good health and strength I would not give ten cents for it, but at this time I was a sick man and people were ready to take advantage of my illness and take my position from me. I have no patience with that kind of thing.

Q.—There is the advantage of a long term contract? A.—It was a good thing and the only thing that saved me.

Q.—Could you look for a minute at the position of the shareholders and policyholders? Do you think if you are unfortunate enough to lose your health that they should continue you with the company if it is thought that in the best interests of the company some person else should be Manager? I am not saying that that is the case? A.—I will grant you that perhaps you might go further and say that if I was unfortunate enough to lose my health and I had to step down and out and leave the company to someone else, the company ought to put me in the position I was when I started.

Q.—Did you ask them to do that? A.—I did not get an opportunity.

Q.—What position would that necessitate your being put in? A.—When I went into the company I had my

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home in the County of Wellington, and when this trouble came up I had not anything, the company had it all, I had put it all in stock.

Q.—How much stock had you taken? A.—It is on the books, something like 200 shares. Might be 200 now paid for.

Q.—That you have paid your calls on you mean, of course? A.—Yes.

Q.—You think then, Mr. Spence, that it is a proper thing and there is nothing objectionable in a person who organizes an insurance company getting a contract put through, the best he can? I am not suggesting that there is anything improper in the way of fixing the amount, but if he can induce the directors to make a long term contract with him he is perfectly justified in doing it? A.—I think a man starting a company and putting his energies and abilities into it and promoting the company, should have a contract sufficiently long to enable him to get the company under way and should get sufficient out of the company to keep his wife and family, that is all I ask for.

Q.—How long would that take? A.—It should be for ten years. I think ten years ought to be allowed to establish a company in first class shape.

Q.—I suppose you thought five years was long enough when you started? A.—I did at that time.

Q.—You have changed your mind as to that? A.—I have, under present conditions. Ten years is little enough.

Q.—What do you mean by present conditions? A.—Well, the high cost of getting business, the high reserves on policies and all that, the competition and everything considered.

Q.—That existed pretty much in 1901 as it does to-day? A.—Yes, but we started under the Ontario Act where the reserve rate was much lower.

Q.—Did you know what was involved in launching a company at that time? A.—Well, I had only my experience with the Temperance and General and the Home Life.

Q.—Were you ever Manager? A.—I was Superintendent of both those.

Q.—Superintendent of Agencies? A.—Yes.

Q.—And that was as far as you got in the management of the company? A.—Yes.

Q.—You have a wider experience now as to the length of time it takes to get a company started? A.—Yes. I know more about it to-day than I did five years ago.

Q.—Then, how soon did any dispute or disagreement occur as to the management of the company? A.—I never knew there was anything occurred at any time. There was no disagreement or dispute and nothing occurred at all to mar the management of the company in any way, so far as I know, up to the time until I was, so to speak, not to get better.

Q.—That would be at the end of 1905? A.—Yes, the end of last year.

Q.—That condition of affairs did not exist in 1904? A.—Nothing with regard to the management.

Q.—Was there a disagreement at that time between you and Mr. St. John? A.—No, I may say that there was a disagreement between Mr. St. John and myself ever since we started the company on little matters, but it never amounted to much.

Q.—Was the disagreement of a personal nature? A.—No, sir.

Q.—Or did it concern the management of the company? A.—It concerned the management of the company.

Q.—In what way? A.—Well, in the first place Mr. St. John charged the company \$310 for organization expenses and I thought \$50 or \$75 was enough.

Q.—You wanted to tax his bill? A.—Yes.

Q.—And he did not want you to? A.—No. Then there were other little items all the way through like that.

Q.—He charged too much? A.—I thought so. May be I was wrong.

Q.—Was that the whole complaint? A.—Practically speaking.

Q.—Sometimes that is not looked upon as being a very bad fault if a solicitor charges enough? A.—Oh, well, St. John was a good man and perhaps it might have been better if I had kept him.

Q.—Mr. Crawford rather warned you of that some time ago? A.—He spoke about it the day Mr. St. John was left off the Board.

Q.—That was brought about by you with malice aforethought, as I might say? A.—No, the idea of reducing the Board was to save expense.

Q.—Who wrote the letter giving the notice that the Board should be changed? A.—Mr. Unsworth of Fergus wrote the letter.

Q.—A friend of yours? A.—No.

Q.—At your suggestion? A.—No.

Q.—Did you know it was written? A.—When it came into the office.

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Q.—Was it ever discussed between you and him that you could get along with six as well as seven? A.—No, I never spoke to him about it in my life.

Q.—Do you know whether it was at the suggestion of any member of the Board? A.—I cannot tell you.

Q.—How long before the meeting did you know? A.—I suppose about a month or six weeks, something like that.

Q.—Did you stir around then for proxies? A.—No sir, I never asked a man for a proxy in my life and never asked an agent to get one.

Q.—How is it that you have got so many proxies? A.—I can account for it in this way; that people who hold stock in the company largely subscribed their stock with me and know me personally.

Q.—The subscribers probably are friends of yours? A.—Not particularly friends, but they know me and people I have been with more or less, in the last eight or ten years through the Province.

Q.—You say then the proxies would come to you by reason of knowing you and knowing your name, seeing it on the bottom of the proxy? A.—Knowing me and having met me and by reason of my being Manager.

Q.—Did you ever get agents to obtain proxies for you? A.—Never spoke to an agent nor asked an agent nor any person to get me a proxy in my life.

Q.—Were these proxies mailed to you by the shareholders? A.—All mailed by the shareholders, and every proxy that came in, irrespective of who it was for, was put in the bunch of proxies.

Q.—If you wish to sit down at any time, Mr. Spence, you may do so, of course? A.—No, I am feeling first-class.

Q.—You say there was no particular effort to get proxies by way of this change? A.—No, never was at any time.

Q.—And the resolutions that occur in the minutes, so far as you were concerned, were all resolutions that the shareholders desired to make and not prompted by you? A.—I don't think that ever at any time I was a party to drafting a resolution, any more than any other director in the Board. It was always understood everybody took their own part. In fact when Mr. St. John sat at the Board I may say the resolutions were nearly all drafted by him, because

we left that matter to him, we had every confidence in him, and they were always done right.

Q.—Then, having reached the time when it came to a vote as to a change in the Board, your proxies were bound to carry the day? A.—I expect they were. They did carry it.

Q.—Voting on those proxies did you vote as you thought the other directors desired or did you vote as you personally wanted to vote? A.—I voted as I personally wanted to vote and as I personally believed would be in the interests of the company for me to do. I have the ballots of every man that voted at that meeting and you can see them; you can see how everybody voted; it is all here.

Q.—I am not concerned with that; I think I know how you voted? A.—Yes. I voted as shown there.

Q.—Your nominees were elected, bound to be elected with the voting power you had? A.—Well, they couldn't help it.

Q.—Passing from that, do you think it right that the Manager of a company should have such a large voting power at the Annual Meetings? A.—Well, if the people will not come to the meeting themselves, and send in the proxies, how can you avoid it?

Q.—A year later Mr. Crawford wanted a change made? A.—Yes, but he didn't ask for a change at an Annual Meeting.

Q.—No, but every person, I think, knows how important the Annual Meeting is when a person makes a request just before it. What was the request he made to you? A.—Well, at one of the Board meetings Mr. Crawford and I had had some hot words at the meeting and I accused him of either wanting to take my position from me for his own benefit or to sell out the company.

Q.—When you say for his own benefit, to occupy the position himself? A.—Decidedly so.

Q.—You accused him of that? A.—I accused him of that. Previous to that Mr. Crawford asked me in my own office if it would not be better for me to take a position as Superintendent and get out on the road where I should have fresh air, good hotels and so on, and that he would come down and take charge of the office and manage it, and he said, if you do that I will be your friend. What did that mean? A.—It meant



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that he stepped in between me and the company and then when the proxies came in I would not have had them.

Q.—Then you say that the result of any change from yourself to any person else as manager would involve the proxies going to the Manager?  
A.—That is what it would do.

Q.—And you thought that by giving up your position as manager that would be the thin edge of the wedge?  
A.—It would have been the whole wedge.

Q.—You would have been out? A.—Out, clean and clear, nothing else.

Q.—So that it was your personal salvation that you should stay where you were to get the proxies? A.—If I did not stay where I was it meant that I had to sever my connection with the company for ever.

Q.—Isn't it a bad state of affairs in insurance companies when it all depends upon being manager, whether you will get the proxies or not? A.—It is a bad state of affairs in my company when any one man tries to take the boots off another.

Q.—Especially if the other has the proxies? A.—Yes.

Q.—He will ascertain where that will land him? A.—Generally speaking he will.

Q.—And you were using your position there to protect your own position for yourself? A.—I was using my position for nothing under heaven but to protect my wife and children.

Q.—Let us try and make it personal to you? A.—That is personal with me, that is all I had in it. If it wasn't for them I would have dropped it. It is a matter that I have a good deal of feeling about.

Q.—I suppose your wife is "Emma Spence," whose name appears as the holder of a lot of stock? A.—Yes.

Q.—Has she, now that we are on the subject, private means? A.—She has some.

Q.—Obtained from you, do you mean? A.—No, from her father. All the money she has is in the Central Life.

Q.—Is the stock that she has taken—are the calls on it paid? A.—Yes.

Q.—You were then using the position of strength that these proxies gave you to protect that position for yourself in the company? A.—Certainly, but it hadn't come to that.

Q.—It had not come to that, but you intimated to Mr. Crawford what would

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happen? A.—No, I never said that to him. There was no election.

Q.—There needs to be no election as long as you can lay down the cards?  
A.—All right.

Q.—Then is it not a bad state of affairs when the shareholders' votes can be used by one party in the company to advance his own interests and that may be against the interests of the people whose proxies he is using?  
A.—There is just two ways to put it.

If a man is wealthy and has money enough to carry him through, he don't need anyone else to help him. If he has not got wealth he needs the proxies.

Q.—He does not always? A.—In a case like mine he did. I needed them at that time.

Q.—Then, if you were a shareholder or policyholder, and had no other interest to serve, would you be satisfied with a state of affairs that put the Manager in control in that way? A.—If I were a shareholder and any other man living held the position I did with the Central Life, under the same conditions, I would have banked every dollar I had to help him out.

Q.—You would, being a generous soul? A.—No, I am not more generous than anybody else, but as a matter of right.

Q.—It leaves the door open at any rate for the Manager to help himself, even though his case may not be of as much virtue as yours? A.—If some scheme could be devised so that the voting power could be more divided among the Board, I think it would be a good thing.

Q.—Have you ever given any consideration to how that can be accomplished? A.—No.

Q.—While you have given us suggestions on certain matters that you have sent in, you have not suggested anything on that? A.—No, not on that because it had not occurred to me.

Q.—That feature is not worrying you particularly? A.—No.

Q.—You have discussed other matters of general interest, but not that? A.—No, I would be very glad to discuss that with you.

Q.—Have you any clause in your proxies that they shall not be revoked until a certain time? A.—I think our last proxy holds good until it is revoked or the party appears at the election in person.

Q.—Quite so, if the shareholder appears in person that would do away

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—Yes, or if he asked for a new proxy he could have it.

Q.—But it does not last for any length of time after he disaffirms it? A.—I believe the law provides how long a proxy shall last, doesn't it? I always understood there was something in the Ontario Insurance Act that provided for the length a proxy could run.

Q.—But I am asking you whether you have any stipulation that the proxy shall last, say for 20 days after the shareholder has given his notice that he does not want it to act? A.—No, I don't think there is anything in that at all. There is no change made. Our proxy is a liberal one and was drawn up by Mr. St. John.

Q.—Did you get any proxies when selling stock? A.—No, not one.

Q.—Never got any until you sent out your notices after? A.—No.

Q.—Did you write letters yourself, asking for proxies? A.—No, I never did.

Q.—Now Major Craig left the Board. I suppose that had nothing to do with this feature we have been discussing because there does not seem to be anything in the minutes that refers to that specially? A.—No, there was nothing. I will tell you why Major Craig left the Board if you want to know.

Q.—Unless it throws some light on your power to drive him off if you did not want him there, I do not want to know; but if you were instrumental in getting him off I would like to know it? A.—I do not know that I was any more than any other director.

Q.—Did he resign or you put him off? A.—He resigned.

Q.—Because he knew he would be dropped off? A.—No, there was no intimation of that and I don't know that he would have been dropped off.

Q.—Was there any dispute between you and Mr. Craig? A.—Yes.

Q.—Of what nature? A.—Mr. Craig had written a letter.

Q.—It affected the company? A.—No, it affected me.

Q.—You were pretty much the company with 1,700 proxies? A.—Perhaps so. Mr. Craig had written a letter to Mr. Crawford, a long letter, and I believe the letter went on to say that it would be advisable for Mr. Crawford to come down and manage the company and kick Mr. Spence out. Mr. Crawford replied to that letter and when I got wind of it I called the Board together and laid the matter on

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the table and Mr. Crawford stated at the meeting to Mr. Craig, he said: "You wrote that letter, Craig, and I never showed it to anybody, and I would be ashamed to show it to any man." Things were made so hot for Craig that he left.

Q.—That is he ran counter to you? A.—It was not me particularly. The other directors took the stand that Craig was interfering. I said practically nothing. Mr. St. John and Mr. Crawford were the spokesmen.

Q.—The man that holds the votes doesn't have to say anything? A.—Well, there was no election on.

Q.—But there was always one coming? A.—I don't think that was taken into consideration at all. I think those men just felt they were called upon to tell Mr. Craig what they thought and they done it.

Q.—And then Mr. Craig resigned? A.—Yes, some few days afterwards.

Q.—Then it seems so far as one can gather that everything in the nature of a disagreement at the Central has been with respect to your position as Manager? A.—There was only those two cases.

Q.—That is three, isn't it? A.—No, just two.

Q.—Mr. Crawford and Mr. Craig? A.—Yes, that is all.

Q.—Mr. St. John from anything you have told us yet, never took the position with you that you should not be Manager or that he did not want you on the Board? A.—Oh, no, I don't think he ever felt that way. St. John was perhaps as honourable as any man I ever associated with.

Q.—You have not said anything yet to suggest anything to the contrary, Mr. Spence. Then the resolution by which you were to drop out of the position of Manager for a time provided that any expense should be deducted from your salary? A.—Yes.

Q.—The time you were given leave of absence for was towards the end of the year? A.—The 10th October last year.

Q.—Just about the time the proxies would be coming in? A.—Yes.

Q.—And there was an emergency meeting held, was there not? A.—Yes, a meeting of the Board of Directors; I don't know that it was an emergency.

Q.—A special meeting? A.—I don't remember that. I think it was a special meeting of the 10th October.

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Q.—A meeting was held on the 21st October? A.—I wasn't at that.

Q.—This is in the year 1905, the President was in the chair and you were not present? A.—No.

Q.—It does not say who else was there but apparently Mr. Bissell and Dr. Groves were present. It says: "The matter of the late Manager, Mr. J. M. Spence's condition of health was discussed and it was the unanimous opinion that, in his interest as well as in the interests of the company, that he take no part in the office work, neither visit the office until such time as his health would permit." "Moved and seconded, after considering the state of health of our late Manager that the Board must insist upon Mr. J. M. Spence having complete relief from all work connected with the company and to this end he must under no consideration visit the office." Was there any reason for keeping you away from the office at that time? A.—Yes.

Q.—What? A.—Mr. Crawford did not want me to know anything that was going on.

Q.—What was the object then? A.—I had the feeling from Mr. Crawford's action that he was trying to take my position from me and have it himself and that he did not want me around the place.

Q.—You think then that this resolution that you must under no consideration visit the office was to disconnect you entirely from the office? A.—Disconnect me entirely and give him a free hand.

Q.—You do not think that was bona fide on his part? A.—I do not.

Q.—So that you would be away when the proxies were coming in? A.—Yes. I can go a little further; arrangements had been made whereby the proxies were being sent out and notices calling the annual meeting, and I was ignored entirely, my name was not allowed on there and in no way was my name associated with the company. I can go further and say that while I was away on leave of absence I had practically arranged for an order of letter heads from Rolph Clarke & Co., and while I was sick the agent for Rolph Clarke & Co. came into the office and Mr. Crawford gave him the order for paper and directed that my name be taken off and not to be printed on the letter heads, but his own name did appear. I was the Managing Director of the Company and away on leave of absence; why should my name be taken off the paper if it

was not for some other purpose? If it was not to get control?

Q.—Did the proxies go out in that way with your name off them? A.—No, they did not.

Q.—Why? A.—I came down to the office and found out they were sending those proxies out and I objected to them being sent out. We had some words.

Q.—Who had? A.—Mr. Crawford and myself. I said, if those proxies are going out I will issue a writ and stop them, and I would have done so, and then Mr. Crawford consented that I might send them out if I would pay the expense of printing them myself. They were not printed. They were run off on the typewriter. So I took the old form we had used in other years and got them printed with my name on as Managing Director and sent them out in the usual way.

Q.—You have not said yet why all that was done, from your standpoint? A.—It was done simply to get rid of me.

Q.—From your point of view why were you doing that, just to keep yourself there? A.—Certainly, I did not want those proxies to come in and anybody else have them.

Q.—You did not want any resolution at the meeting passed condemning your remaining there as Manager? A.—No, I didn't want anything of that, it was not the intention of the Board that it should be that way. The Board did not intend to dispense with me. There was no feeling of that kind except in Mr. Crawford's own mind, he is the only man that has that feeling.

Q.—Then you had the proxies printed and sent out? A.—I took the old form that we used a year ago, but we printed the notice setting out what the meeting was called for; notice of the annual meeting.

Q.—And that notice had your name on as Manager? A.—Yes, printed on.

Q.—Printed at the bottom? A.—Yes.

Q.—As being a notice from you as Manager? A.—Certainly.

Q.—How was the other notice that was being typed and sent out? A.—My name did not appear on it in any shape: it was either Mr. Crawford or Mr. Ward, the Acting Manager, and I was taken out of it altogether.

Q.—You are described in the minutes as the late Manager? A.—Yes, I was the late Manager then.



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Q.—I thought when I came to that that you were some different Mr. Spence? A.—No, I was dead for a time.

Q.—But you came up all right at the Annual Meeting? A.—Yes, I came up again.

(Adjourned to 2 p.m.)

#### AFTERNOON SESSION.

Resumed at 2 P.M. July 10th, 1906.

Examination of Mr. Spence continued:

MR. TILLEY: You remember that any expense incurred by reason of your illness was to be deducted from your salary? A.—Yes.

Q.—And by reason of the increased work that some of the staff had put on them they were given some allowances amounting to how much? A.—\$75.

Q.—And at the meeting when that was authorized to be paid Mr. Crawford pointed out that that should be deducted from your salary? A.—Yes.

Q.—And that was entered in the minutes? A.—Yes.

Q.—And the meeting closed with that? A.—That is not correct.

Q.—It was in the minutes? A.—I know, but it should not be there. I was present at that meeting and while Mr. Crawford claims that that resolution was passed I do not believe it ever was, to my knowledge it was not put and voted on, it was not a resolution; it was spoken of at that meeting by Mr. Crawford that such should be but it was not a resolution it was not concurred in by the other directors; that should not have been in those minutes, that is my view of the matter.

Q.—Before leaving the other subject did you during your leave of absence return to the office? A.—Yes.

Q.—Were you there much? A.—No, when I was able to come down to the office. I came down because my—

Q.—Were you in Guelph all the time? A.—No, in Toronto.

Q.—So that you would come down to the office once a week? A.—No, there were times when I felt able to come down that I came down to the office, but I took no part in the work or anything like that.

Q.—How long did your illness last? A.—I was sick until the last day of November.

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Q.—When did you leave the office? A.—On the 10th October.

Q.—And this special resolution I referred to was passed on the 21st, so that that was after you left? A.—Yes, after I had gone away, I was not at that meeting.

Q.—Prior to the 10th October had you been ill during the year? A.—I had been ill all summer.

Q.—It was not a sudden illness? A.—No, I had been ill for two years and was under the care of two specialists here in Toronto.

Q.—And you thought the best way to do was to rest for a time? A.—Yes.

Q.—Apparently on the 10th October, 1905? A.—That was the meeting I was at.

Q.—This resolution was passed, That W. R. Ward, Cashier of the company, be placed in charge of the office to act as Manager pro tem with power to sign documents as business of the company may require? A.—That is right.

Q.—That J. M. Spence be granted three months' leave of absence, from this date? A.—Yes.

Q.—Following that that any additional expense for assistance required to conduct the work of the company be paid for out of Mr. Spence's salary? A.—That was not put nor carried at the meeting.

JUDGE MAC TAVISH: You were at that meeting? A.—Yes.

MR. TILLEY: This is the meeting of the 10th October and it does not contain a list of the names of the persons present, and your name is not mentioned here? A.—Yes, here it is.

Q.—You were present at the meeting of 10th October? A.—Yes sir.

Q.—Apparently the mover's name is given, Mr. Bissell, and the seconder, Dr. Groves? A.—Yes.

Q.—It is written by the regular clerk? A.—By the typewriter, but these minutes are always revised before being put into the minute book, looked over—

Q.—And then these minutes— A.—There was nobody at that meeting—

Q.—Were read and confirmed at the next meeting, but you were not present? A.—At the meeting of the 10th October there was nobody taking the minutes of the meeting.

Q.—But Mr. Crawford was there, Mr. Bissell and Mr. Groves and apparently they read and confirmed the

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minutes of the previous meeting? A.—Yes, that is right.

Q.—I notice afterwards you had a resolution passed altering that? A.—Yes, when I came back I was not going to stand for any \$75 being taken out of my salary, but if they wanted it it was a free gift, I would not have taken it that way, I told the directors that and they returned the money to me.

Q.—At page 161 this resolution is entered up, "Dr. Groves moving it and Dr. Dowe seconding it, and at the previous meeting I think Dr. Groves was entered as the seconder of the resolution to take it out of your salary? A.—Yes

Q.—Now we have this resolution that J. M. Spence is entitled to and we now direct that the balance of salary for the month of December, 1905, be paid to him without any reduction? A.—That is right.

Q.—At the same time a meeting which was held on the 7th March, 1906, after the annual meeting of this year, this resolution was passed, "That Mr. J. M. Spence, President and Managing Director, having arranged to accept," etc. (Reads resolution)? A.—That is correct.

Q.—That is a reduction of \$500 from what you were entitled to during that year? A.—I was taking the President's position and my own at a saving of \$900 a year to the company, that was the arrangement; I wished to save them every cent I could in that direction, and I felt I could manage to live on \$2,500 in Guelph, and perhaps if we cannot manage to pay \$2,500 another year we will pay less. It is not a matter of salary with me, it is a matter of getting the company on its feet.

Q.—So that your salary of \$2,500 would be from the first March when the old one expired? A.—This year.

Q.—You got \$3,000 up to the first March? A.—For the last year.

Q.—\$2,750 for the year before? A.—That is right. There is another part there that perhaps does not appear. When that contract of mine was made with the company five years ago there was no mention made nor no allowance given me for expense incurred in connection with the working for the company, not one cent, all of that was paid by myself, and the time I spent here in Toronto at the office preparing books, forms and other things there was nothing allowed for that, and the intention was that

the contract should date from the first of the year.

Q.—That is a five year contract?

A.—Yes, but when it was put through from the first March I spoke then to Mr. St. John and I had a talk with Dr. Groves, and the understanding that I had with them was that we would allow it to go on, but have the increase at the beginning of each year, just call that a year only pay for the ten months, and then have the increase; so that we did that until December of last year. While I was sick last year the only thing I can find out that extra work was done was Mr. Crawford and Ward, his assistant in the office, and the solicitor of the company, Mr. Montgomery, they had been to the office several nights looking over the records of the company to see if they could find anything against me, and they had found out where this increase had taken place in the amount of the salary on the first of the year, as I have explained to you now, and then Mr. Crawford made a desperate kick about this, the result of it was I paid the difference back to the company and held the contract good till the first March, whereas it would have terminated on the 31st December, and for this work of hunting up my record they charged me \$75. If it was \$75 that had been paid and I believed had been paid in the interests of the company I would have had no objection to paying it out of my salary, but when the \$75 was taken out of me to try to find out something about me I did not feel I was justified in doing that: if the company wanted to get anything about me let them pay for it or anybody else, and that is the reason I would not stand for the \$75.

Q.—That is the reason for repudiating the \$75? A.—Yes.

O.—You claim it was not for the \$75 but it was for the principle? A.—Yes, and used it for the purpose of trying to find out something against me which they did not find.

Q.—You have not renewed the contract for another period of five years at that rate of \$2,500? A.—No, just a yearly contract.

Q.—You have no arrangement or agreement? A.—None whatever.

Q.—That is not shown in these minutes? A.—None whatever: the minutes show everything, and at the end of the year if we can afford to pay me \$2,500 for next year or an in-

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crease all right, and if we cannot I will have to take a decrease.

Q.—You will be the judge of that? A.—No, I do not think I will, I will leave that to the position the company is in.

Q.—Of necessity you would be the judge of that? A.—I think I would be in a position to judge, I would be fair to the company, I had it in my hands to increase my salary this year and did not think the company could stand it.

Q.—I suppose there is no doubt you had complete control of the company at the annual meeting this year? A.—Yes.

Q.—You elected whatever Board of Directors you thought proper? A.—I could have done that but I have never taken that position.

Q.—You could not have wanted any other persons than the ones you got? A.—I want nobody better than the directors I have.

Q.—Who are the persons that at the present time form the Executive Committee? A.—Mr. Groves, Mr. Bissell and myself.

Q.—Is Mr. Bissell the same man that is the auditor of the company? A.—He was auditor at the latter part of last year only.

Q.—He was auditor at the same time he was director? A.—Yes, the latter part of last year. Mr. Spence resigned in July and Mr. Bissell was put on for the last half of the year along with Mr. Day.

Q.—Did he resign? A.—We did not elect him again this year, we just elected two new auditors.

Q.—That was a temporary shift? A.—Yes, to fill in the time.

Q.—Not having a regular auditor ready to do the work? A.—We just put him in for six months.

Q.—You would not agree to that? A.—I do not think a director should be an auditor.

Q.—Is Mr. Dav connected with the company? A.—No.

Q.—You have had several changes with your auditors? A.—Yes.

Q.—Is it the result of any disagreement between the auditor and yourselves? A.—No: the first auditor we had was Harry Vigeon.

Q.—I am not going to ask you to go over the names: has any auditor at any time refused to certify to your accounts or objected to any transaction the company was carrying out? A.—No. Mr. Vigeon quit because he wanted more money, he was not get-

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ting enough, but we felt it was all we could pay.

Q.—Mr. Crawford explained the circumstances this morning about the loan he got of \$4,000 without any security other than the giving of his promissory note? A.—Yes.

Q.—And he says that that was a proposition that to some extent at any rate originated from you? A.—No, Mr. Tilley, I was as innocent as the child unborn about that note until he came into the office. He came in and he said to me, "J. M., I am stuck; I want \$4,000." I said, "Mr. Crawford, I have not 4,000 cents; if I had I would give it to you."

Q.—You were speaking of your personal moneys? A.—Yes. He says, "What about the funds of the company?" I says, "We have lots of money here." He said, "Would not it be all right for me to draw out \$4,000 and put my note in and pay interest?" I said, "I do not know, Mr. Crawford; I suppose there would be nothing wrong with it; you are good for it?" And he said "Yes." With that I called Ward into the office and I asked him to write out the cheque, and the cheque is there. Ward came into the office and wrote out the cheque.

Q.—On what date? A.—On the 12th May, 1902.

Q.—And it was paid off? A.—On the 12th December; here is the cheque.

Q.—Was anything said about interest at that time? A.—He said he would pay interest on it, but I could not swear what he said the interest would be. To tell you the honest truth I was not very much interested in the interest, I thought it was all right, and I thought I was doing him a good turn by letting him have the money. He was in the cattle business and he needed it and I did not think there was anything wrong about it. Now I take a different view; I would not do such a thing to-day, but there were two reasons why I did it then; one was that he was the President of the company and I was the Manager, and I did not think I dare refuse him; another was I wanted to help him. He had helped me in getting the loan from the bank the time we organized the company.

Q.—Is it not almost idle to say he was President and you were under his influence when you had the position that you had there with regard to vot-



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ing power? A.—That may all be, but I could not quarrel with my President.

Q.—Yes you could? A.—I do not think so.

MR. KENT: You did afterwards? A.—I did it when I had to.

MR. TILLEY: Q.—Would not you quarrel with him to protect the funds of the company from a draft of \$4,000 when you would quarrel with him to maintain your own position? A.—If it were now I would; I did not think I was doing anything wrong then.

Q.—Why not? A.—I thought he was good for it.

Q.—You were perfectly aware that this was not a proper transaction? A.—I was aware that it was an investment that we were not authorized to make, I will agree with you on that.

Q.—This was not an investment at all? A.—I am quite aware of that, but I had no doubt at all about Mr. Crawford being perfectly good.

Q.—That is no justification? A.—I know it is not, I know it was wrong, that is all there is to be said about it; I cannot help it; it is done.

Q.—This was wrong? A.—Yes.

Q.—You knew that at that time? A.—Yes.

Q.—You were in a position then, if any Manager ever was in a position, to say to your President, "No, you cannot have that money"? A.—I do not think I could have done that.

Q.—Why not, without jeopardizing your own position? A.—It would simply have meant we would have separated.

Q.—Would not it be well sometimes to take a stand against a transaction of that kind even if it meant your separating? A.—Perhaps it would have been better if I had done it.

Q.—You would have only separated till the next annual meeting with the proxies you had? A.—That may be; if I had to do it to-day I would not do it with any man, because I understand the position more thoroughly; I did not think at that time that there was anything particularly wrong about it.

Q.—I see the cheque is made on the Central Life Insurance Company's ordinary form? A.—Yes.

Q.—And payable to Thomas Crawford direct for \$4,000, and it is signed by Thomas Crawford, President, and J. M. Spence, Managing Director, and it is addressed to the Imperial Bank of Canada, and while it is dated May 12th, 1902, it appears to have got into

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the Dominion Bank on May 10th, 1902—do you know how that was? A.—I could not tell you; perhaps it might have been on Saturday it was written, and it was given to him and not entered up in the books till Monday; I cannot say about that; I do not remember of that, whether it was dated ahead or not.

Q.—Have you your bank book to show me the state of your account at that time? A.—Yes.

MR. KENT: Was it accepted by the bank before it was drawn?

MR. TILLEY: It was stamped with the Dominion Bank stamp on May 10th, 1902, while it is dated May 12th, 1902.

MR. KENT: Dated ahead?

MR. TILLEY: Yes.

WITNESS: Here it is in the bank book, but there is no date as to when the cheque was paid.

MR. TILLEY: At the end of the month you should have a balance of \$806? A.—Yes.

Q.—How much money had you there at the time the cheque was issued? A.—Over \$4,000.

Q.—There was a deposit made on the 10th of \$534.38? A.—Yes, and there was over \$4,000 in the bank.

Q.—Here is some off? A.—But these were all small items.

Q.—Did you suppose when you were giving him the cheque, without that deposit for \$534.30 on the 10th you would not have had enough money there? A.—I do not know, I never looked at it in that way.

Q.—Do you suppose you were giving a cheque ahead with the intention of making a deposit ahead before it was used? A.—I do not think so, that never occurred to me.

Q.—You issued a cheque for \$4,000 believing you had the funds there? A.—Yes, and we had too.

Q.—You have from time to time I suppose overdrawn your account? A.—I do not think we have ever overdrawn our account until, well, the last year, we discounted a note to keep our account good for \$1,400.

Q.—In the year 1905? A.—Yes.

Q.—In 1902 had you never discounted any notes? A.—I do not remember of any, we might have, but I do not remember of any.

Q.—Have you got your book here that would show it? A.—That is it here.

Q.—Have you not your book that shows your bills payable or some thing? A.—No, we have bills receiv-

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able here for all notes given, but there was nothing of that kind.

Q.—There was nothing of that kind until 1905? A.—The first note discounted in the bank was my own given to the company.

Q.—That is the \$15,000 one? A.—No, for the \$1,400.

Q.—In the stock? A.—Yes.

Q.—That is in respect of the 104 shares? A.—Yes, that is the first note that was ever discounted.

Q.—Have you ever made any loans of that kind to Mr. Crawford? A.—No.

Q.—Nor any other director? A.—There has never been a loan made by the company to anybody.

Q.—How was the rate of interest fixed? A.—He came in and asked what it would be, and I said in round figures how would \$100 suit you, and he said all right, and that is the way it went off.

Q.—That was quickly arranged? A.—Yes.

Q.—That was about  $4\frac{1}{2}$  per cent.? A.—About that.

Q.—Was that a proper rate? A.—We were getting three in the bank for it, so that we held our own.

Q.—Is that the view you take of it, so long as you get the bank interest it is all right? A.—No, not by any means, but it was the view we took at that time.

Q.—At that time you and Mr. Crawford were friendly? A.—Yes, very.

Q.—You got to think a good deal of each other? A.—I did, I thought he was the whitest man in this country.

Q.—Later on the feeling was not quite so cordial between you? A.—Not when he tried to come between me and my position I began to change my mind.

Q.—As soon as the president thought there might be an improvement in the Managerial end that caused trouble? A.—Yes.

Q.—And then he ceased to be quite the nice man he was before? A.—Yes, he was not just as good then.

Q.—He could not have got \$4,000 then? A.—No sir.

Q.—Have you ever had any financial transactions with the company? A.—I say no; there was one transaction with the company that I was interested in for a few days, and I will tell you what that was; in January 1903 I was selling some property in the County of Wellington to a Mr. McClelland of this city, and there was

a mix-up between Mr. McClelland and Mrs. Brock upon—

Q.—Never mind about the address? A.—And myself, and there had been \$2,000 paid on this property I got on Markham Street—

Q.—You paid what? A.—paid cash.

Q.—How do you mean? A.—Paid on it from the property in Wellington County, and there was \$2,150 for me to get here out of the way, and I wanted to put a mortgage on the place for \$2,500. I spoke to Mr. St. John about it; he was my solicitor; and he said he would work it for me, and the first impression was we would put the mortgage in the Central Life for the \$2,500 on the property.

Q.—That is to say on property that you were buying? A.—\$4,150, was paying cash for it.

Q.—And the plan was to take a mortgage of \$2,500 in favor of your company? A.—Yes.

Q.—From you to the company? A.—Yes; so that the amount necessary to clear off the mortgage until the papers would be drawn up was advanced to Mr. St. John by the company.

Q.—The company went that far towards carrying out that transaction? A.—Yes.

Q.—Where is that cheque? A.—I will show you that here.

Q.—Who signed that cheque? A.—Mr. Crawford and myself. Here it is (in the cash book). On January 17th, Sundries \$2,150, cheque number 658, and this cheque was made payable to Mr. St. John, and Mr. St. John got the money and took the deed, and then I felt it was not a good thing for me to be interested in my own company in borrowing money, and I borrowed the money from the Continental Life and turned it back to St. John, and he paid it back to the company.

Q.—You got the money from the Continental Life and paid Mr. St. John, and Mr. St. John paid it into the company? A.—Yes.

Q.—That is one that was paid in two instalments? A.—Yes, \$1,500 and \$600.

Q.—Do you know why it was paid in two instalments? A.—There was money due to me from the Canada Permanent Loan & Savings Company, and I got part of that and then I paid him the balance of the other.

Q.—There is a species of good-fellowship between the different insur-

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ance companies, is not there, with regard to little loans? A.—Yes.

Q.—Not much trouble in getting any reasonable loan from any other insurance company? A.—None whatever, it is only a matter of just a few days.

Q.—Have you ever given any loans to the Continental? A.—No, I give them our re-insurance.

Q.—That is all? A.—And I am very friendly with the Manager.

Q.—But you have never loaned any officer of the company any money? A.—No, and outside of that transaction, those two transactions, there never was a dollar of the company's money out for a minute, so to speak, to anybody in the matter of loans; that was not a loan either.

Q.—That was a temporary matter, it was getting close to the position of a loan? A.—Yes, but the intention was Mr. St. John was going to put it through as a mortgage and I did not want to have a mortgage in my company.

Q.—Was it your idea that stopped it going through in that way? A.—Yes; I did not want to borrow the money from my own company.

Q.—Did you not get another loan of a couple of hundred dollars, a small amount in 1903? A.—No, that would be perhaps advance of salary.

Q.—What do you mean? A.—Perhaps for a month ahead.

Q.—Was it not paid back? A.—Yes.

Q.—When? A.—I could not tell you that.

Q.—When you speak of an advance that would hardly mean money that would be paid back, an advance would be something that would be paid to you just a little before it was due? A.—That is what it was.

Q.—You paid it back in December? A.—At that time there was some stock transaction going on, and during my illness we needed all the money that was coming to me by way of salary.

Q.—That is 1903? A.—I thought it was 1905.

Q.—There is another one in 1905? A.—There was no loan, there might have been an advance at that time.

Q.—You paid it back; what do you mean by an advance? A.—It would be an advance against my salary. I did not know it had been paid back.

Q.—In 1904 do you say there was another similar transaction? A.—No, there were some stocks that had not been paid for at that time; I paid those off at the end of 1905.

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Q.—Have you told me now about every transaction whereby the company's moneys or funds had been used in any way for the benefit of the directors or shareholders? A.—Yes.

Q.—Other than loans on policies, that is a different matter entirely? A.—Yes, there has been no money at any time loaned except what you know of now.

Q.—Did you understand that the Ontario Superintendent of Insurance refused to accept the Provincial Building & Loan Debentures? A.—I know all about it. The time we got our license from the Ontario Government Mr. Crawford and Mr. St. John both suggested that we would take Provincial Building & Loan Debentures.

Q.—They were both directors? A.—Mr. Crawford was the President and Mr. St. John was the solicitor of that company, and they both were anxious we would take—Mr. Crawford particularly—that we would take those 25,000 Provincial Building & Loan Debentures. Mr. St. John and I went up, and I think Mr. Crawford and I first went up to see Hon. Mr. Gibson, and the Hon. Mr. Gibson in his own room stated to Mr. Crawford in my presence—

Q.—He said it to you, too? A.—To both of us, it was Mr. Crawford doing the talking. He said "Those are securities that trustees cannot invest in, and I cannot accept them." Then Mr. St. John went back to see about it and he still refused. Him refusing to accept those—

Q.—Was there apparently a particular desire that those particular debentures should be taken as to deposit? A.—On Mr. Crawford's part, yes.

Q.—Why? A.—Because he was interested in the Provincial Building & Loan.

Q.—Was there on your part? A.—No sir.

Q.—Did you object? A.—No sir.

Q.—Why? A.—It did not concern me personally, we would get 5 per cent. out of it.

Q.—You were a consenting party to it? A.—Yes; I would be a consenting party if they were acceptable to the Government, and if they were not acceptable, then of course I dropped it.

Q.—Every person had to drop it then? A.—Yes.



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Q.—Subsequently \$5,000 of the debentures of that company were purchased? A.—Yes.

Q.—What position did you take then? A.—Mr. Crawford spoke to me about those, we had some money; he said we had better take them, and there was one lot for ten years——

Q.—Mr. Crawford thinks probably the Managers of the two companies brought that about? A.—That is all nonsense; the manager of the other company did not appear in the transaction until he got the money. Mr. Crawford was President of the Provincial Building & Loan, and he advised me to take them, and we took them.

Q.—When did you get rid of those Provincial Building & Loan Company debentures? A.—Last April, a year ago last April.

Q.—What were you doing in April? A.—We were arranging for our deposit with the Dominion Government.

Q.—Why did you not use those debentures to deposit down in Ottawa? A.—They had only a few years to run, and I wanted securities that would be better.

Q.—Did you think the Insurance Department at Ottawa would take them? A.—I never considered the question, I had already negotiated with Mr. Brent to take them at \$5,000, I thought I was well rid of the debentures when I got \$5,000 for them, and that was the deal.

Q.—You were just quiescent when these debentures were bought? A.—Yes.

Q.—You did not say Nay or Yea? A.—I did not know very much about them.

Q.—Do you regard the debentures of a company holding terminating stock largely as being a proper investment? A.—I would not invest in it now.

Q.—Nor the company's money? A.—No, and I would not put the company's money into anything I would not put my own money into.

Q.—With present knowledge, you think that would not be very prudent? A.—No, I do not think it is a good kind of security for an insurance company.

Q.—Do you mean any debentures of any loan company should not be taken as security? A.—I do not know very much about that, I think that we have any amount of securities we can get, municipal debentures and that kind of thing that is better.

Q.—That explains all your connection at any rate with the purchase of those debentures? A.—Yes.

Q.—What routine was observed in putting your transaction through such as that with your Board? A.—Mr. Crawford and I always did this work ourselves, and then we acquainted the Board with it when they came together, generally verbally.

Q.—There is no minute about it? A.—Generally verbally, I think it was always verbal.

Q.—Did you acquaint the Board with the Provincial Building & Loan purchase? A.—Yes sir.

Q.—With the \$4,000 loaned to Mr. Crawford? A.—No, there was nothing mentioned to the directors about that till afterwards, after it had been paid off, I told them personally of it afterwards.

Q.—For the seven months the loan was outstanding they did not know about it? A.—No.

Q.—Would they have approved of it? A.—Their respect for Mr. Crawford would have been such that they would not have said anything, and if he had kept the whole \$4,000 they would have said nothing.

Q.—That is not quite accurate? A.—I do not think they would have made much of a kick.

Q.—You are referring now— A.—That was just their feeling towards him, they all had every confidence in him.

Q.—That probably indicates they would not have much reason to make any complaint in their opinion? A.—We did not at that time think we had.

Q.—At any rate it was not thought advisable to let them know about the \$4,000 loan? A.—It had never been thought of.

Q.—Not by you or Mr. Crawford? A.—Not by me.

Q.—It would have been rather surprising to either of you to have found out the other told the directors? A.—Nothing of the kind, it was above board; I do not think anybody thought of it in that way.

Q.—Because one wonders that a transaction such as that going through in view of Dr. Groves' speech at the annual meeting where he says every security and transaction is scrutinized, and if any director at all suggests it would be improper it is dropped? A.—Our directors were all largely outside the city and we did not see them very often.

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Q.—I suppose you would be responsible for that speech, would you not, made in seconding the annual report? A.—I suppose I would be a party to it.

Q.—You would write it up? A.—I don't know about that, I guess probably I would have something to do with it.

Q.—It all read as if you were concerned in it being prepared? A.—Yes.

MR. KENT: It resembles the prospectus to a considerable extent? A.—I think that necessarily follows in all companies.

MR. TILLEY: In all companies where they have to get changes made in order to reduce the number of shareholders that must attend in order to make it a proper meeting—you had to do that? A.—Yes, we always had considerable trouble getting enough there to make a meeting.

Q.—What was the number? A.—Fifteen, but that is accounted for from the fact that our stock was sold to outside parties largely.

Q.—Not to local people? A.—No, not much here.

Q.—You have had a lot of transactions in the capital stock of the company, have you not? A.—Yes.

Q.—Without taking up any particular transaction tell me in a general way how it was that these transactions passed through your name? A.—When I got into trouble with Mr. Crawford here I felt that I was compelled to buy Mr. Crawford's stock. I bought his stock. I bought Mr. St. John's, and I bought several lots, in fact I bought all that was friendly to Mr. Crawford. Some of them I paid more than they paid for it and some less. Then the other transactions outside of that, a number of those I got when the call was made on the stock, some parties could not pay it up, in those cases where they could not pay up and would not pay and came to me to buy I bought as long as I had any money to buy with.

Q.—In connection with any of those purchases did you at any time use the company's funds? A.—Not a cent.

Q.—Did you borrow from any person else who was in the company? A.—Nobody in the company; I borrowed from my own people.

Q.—To finance these transactions? A.—Yes.

Q.—Does the stock you acquired divide itself into two classes, first the stock of Mr. Crawford and his associates or friends? A.—No, that was

all put together; it is all in one class; there is no division.

Q.—But I mean to say in the reason that prompted you to take it were there two classes, first to get the stock of Mr. Crawford, and his friends into your own name? A.—Yes.

Q.—And then the other that certain shareholders who could not pay the 5 per cent. call took the stock off their hands—does that cover the reason? A.—That covers the whole thing.

Q.—Taking the second lot of persons, that is shareholders who could not pay up the five per cent. call, I think you told me this morning that the five per cent. call was made in order to secure money to put up the Dominion deposit? A.—That is right.

Q.—The Ontario deposit being how much? A.—\$25,000.

Q.—And the Dominion deposit? A.—Something over \$50,000, it had to be \$50,000 clear.

Q.—And you did put up how much? A.—\$54,000.

Q.—And that is still standing at Ottawa? A.—Yes.

Q.—When did you decide to make that call? A.—We decided that about the beginning of 1905, that would be a year ago last January.

Q.—That was at the annual meeting or about the time of the annual meeting? A.—We had it all ready for the annual meeting when the shareholders came together.

Q.—Mr. Crawford mentioned that in his address to the shareholders? A.—Yes.

Q.—And that was the meeting when you changed the Board of Directors from seven to six? A.—Six to five.

Q.—It was the previous two years that you changed it from seven to six? A.—Yes.

Q.—You elect your directors every second year? A.—Yes.

Q.—So that the election of directors before that was at the end of 1902, or the beginning of 1903? A.—Yes.

Q.—Was there any difference of opinion about taking out the Dominion license? A.—None whatever, it was unanimous.

Q.—Had you decided then to move to Guelph? A.—No.

Q.—There is nothing in the minutes about moving to Guelph until this year? A.—Nothing occurred until this year.

Q.—To what extent have the shareholders paid that call of 5 per cent? A.—I think there is something about

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like, I could not say exactly, but six to ten, about that, that have not paid up yet, but they are all small amounts.

Q.—You would buy the shares of any shareholder who wanted to sell? A.—If we had the money.

Q.—If the company had the money? A.—No, myself.

Q.—When you say we? A.—I mean my own people; I have asked the other directors to buy stock and help them out too.

Q.—What price did you pay for that stock? A.—Some of it I paid more than par and some less.

Q.—You mean to return to the persons the money you paid in? A.—Yes.

Q.—Does that cover what they paid in by way of surplus? A.—No. The stock we hold in Mrs. Spence's name represents the stock for which the company held notes and for which our home has been sold and the money gone into it, and that is temporarily in her name until I can sell it, and I have it now at such a price that I can sell that stock and clear ourselves at \$15 per share. Originally \$17.50 was paid to the company, but I can sell it now for enough to clear us off at \$15.

Q.—If you did not pay any of the parties back the \$2.50. \$15 was the outside price you would pay? A.—I paid more than that, I bought some stock here in Toronto, 50 shares for \$900, that was more than the \$2.50.

Q.—Whose stock was that? A.—Mrs. Hart's.

Q.—The shareholders before that five per cent. call was made had paid in only \$10? A.—That is all.

Q.—And \$2.50 on account of the surplus? A.—Yes.

Q.—Whatever they paid of surplus has not been paid by you as surplus? A.—No, I have enough of it now that would stand me at the par.

Q.—A call of five per cent. was made and you took up some of that? A.—No, there was none of this taken up by me at this time, it was afterwards.

Q.—How soon did you commence taking it up, have you your stock account here? A.—Yes.

Q.—Let me see it? A.—(Turns up stock account).

Q.—On page 147 there stands in your name 200 shares? A.—For \$20,000 on account of which \$3,000 has been paid; that I wish to keep.

Q.—That is \$15 per share? A.—Yes.

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Q.—That \$3,000, has that been paid in cash? A.—Yes sir.

Q.—Let us see where this account comes from? A.—(Shows).

Q.—You made your first subscription, did you on August 19th, 1900? A.—Yes, \$20.

Q.—For twenty shares; January 7th you took 80, the 19th you took 200, was that with the intention of keeping it? A.—No, it was underwritten for the time being.

Q.—Why do you say underwritten? A.—It was taken by me as my stock until I could sell it again.

Q.—Why did you do that? A.—We did it to have a better showing.

Q.—That is to say you wanted to be in a position to say We have got subscriptions already for a certain amount of stock? A.—Yes.

Q.—Did other directors do the same? A.—Yes.

Q.—Not bona fide subscriptions? A.—No, just took for the time being to accommodate the company.

Q.—To mislead the company? A.—No, we thought it would be the best thing for the company, for ourselves we did not take anything out of it, not anything.

Q.—But the company sold its stock on the faith of the statement that a certain amount of stock was already subscribed, that was the object? A.—The object was not in connection with the stock, it was to get insurance, but the stock was subscribed—

Q.—It was a matter of who you would select to mislead? A.—There was no matter of misleading.

Q.—It was not taken with the intention of paying for it? A.—It was not taken with the intention of keeping it.

Q.—If you had not sold it you would have cancelled it? A.—I do not know about that.

Q.—You did cancel some stocks, a good deal? A.—Yes, we cancelled a good deal from time to time.

Q.—And cancelled it for no better reason than that? A.—A good deal of it should not have been cancelled at all.

Q.—The parties could have paid and could have been forced to pay? A.—Yes.

Q.—But for one reason or another they would make request to be let off the stock and you would cancel the stock? A.—We did that because we thought it would be better for the company than to have any trouble.



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Q.—In this connection, the directors if they had changed their minds would have cancelled that stock if they did not want to go on with that transaction? A.—I suppose they could have done that, if we did that we would have had to show the reduction in the report; we did not want to do that.

Q.—As early as October 1901 you had a lot of transactions through that month? A.—Yes, stock sold out.

Q.—That would be taken from your account and transferred to others? A.—Yes, cancelled on our account and sold to others.

Q.—Is that the way the transaction was put through here take on the first October M. D. Spence, 5 shares: "Resolved that five shares standing in the name of J. M. Spence be cancelled, and that in substitution five shares be issued to some one else"? A.—No, I will show you the way that was done. This is the application for stock. There is the position it would be in. There is an application from Walter L. Morris, for ten shares.

Q.—An application to the company? A.—Yes.

Q.—For the company to allot to the applicant ten shares of stock? A.—Yes.

Q.—That is not an application for your shares? A.—No, to the company in the regular way; then that stock was held by J. J. Craig.

Q.—Who is J. J. Craig? A.—He is one of our directors.

Q.—That is he had taken up some stock in the same way? A.—Yes, and he signs this giving us the authority to cancel his stock for that number of shares, the stock to his credit, and allotted to Morris, that is the way it was done. They would bring it before the directors—

Q.—You had professedly a certain amount of stock already subscribed and then with new applications coming in for supposedly new stock to be issued in addition to that already subscribed you would cancel some of the old and give some shares in substitution? A.—Yes.

Q.—That is not the proper way to do business? A.—I believe it was. I see nothing wrong with it. Mr. St. John, our solicitor, advised us that was a proper course to take, and he drafted that document, and on his advice we did it.

Q.—A request to the company: "For value received I hereby request you to issue and allot ten shares of capital stock of the Central Life In-

surance Company of the shares subscribed for by me contained in the original stock list number 174 herein dated the 19th day of January 1901, of Walter L. Morris, in the City of Hamilton, in the County of Wentworth, and this shall be your fullest and absolute authority so to do. Witness my hand and seal at Toronto, 19th March, 1901"—tell me how much stock was allotted to yourself and the other shareholders in that way? A.—About 200 shares.

Q.—Is that accurate, I think that is about right. They are all the same, about 200 shares a piece.

Q.—There were how many of you? A.—Seven at that time—no, it would not be that much.

Q.—How much would it be? A.—It would be in the neighborhood of \$1,000 between the seven of us.

Q.—About 1,000 shares? A.—About that.

Q.—Did you let that fact be known that you had subscribed for the stock? A.—Yes, in any way it came up we never concealed it in any way.

Q.—Did you issue any literature? A.—No, do not think we were called upon to do that.

Q.—Was that stated in your prospectus to sell stock? A.—No.

Q.—Or get policies? A.—No, we had not any prospectus at that time.

Q.—Did you not say anything in your literature that you had subscribed for it? A.—Latterly we did.

Q.—But not originally? A.—No, there was nothing said about that at all.

Q.—Did you do the selling of the stock at that time? A.—Yes.

Q.—I suppose it is fair to say you would use that information? A.—That there was that much sold?

Q.—Yes? A.—No, I never did.

Q.—Why did you do that if you did not make it known? A.—It was shown in our report to the Government, and that would be read by our opposition and everybody else, as a matter of getting business we had that much subscribed, but we wanted to close our books at the end of the year.

Q.—To get it into the Government returns? A.—The Ontario returns.

Q.—Following that up during 1901 when did you next subscribe for stock—here is a subscription July 1903, what is this that has been erased? A.—I do not know.

Q.—You transferred over how many shares, let us have those? A.—That

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is only ten shares, the last subscription was made—

Q.—You will get them out of order by taking the last? A.—The next one after that 104 shares, I do not think it is shown up there.

Q.—There was one before that, December 31st, 1903, there was a subscription for how many shares? A.—16 shares.

Q.—You subscribed for about 180 shares I think at the end of 1903? A.—First January, 1904, I had that.

Q.—366 shares, there was a subscription in 1903? A.—269 shares.

Q.—You subscribed on the 31st December, 1903, for 269 shares? A.—Yes.

Q.—Did the other shareholders subscribe? A.—No, that was cleaning up.

Q.—So that the other directors never subscribed for anything except that original 200 or about? A.—No, their stock had been sold.

Q.—You were the clearing house then? A.—Yes.

Q.—Prior to that subscription for 269 shares there was only 97 of your own left? A.—That is all.

Q.—The rest had been cancelled and re-sold? A.—Yes.

Q.—You took the 269 on the 31st December, 1903, did you give your note for it? A.—No, nothing, it was just in my name.

Q.—Did you make a return to the Government to show whether it was paid up or unpaid or partly paid? A.—No, it was not paid.

Q.—Did you show anything about that in the return? A.—I do not think so.

Q.—You do not remember about that? A.—No.

Q.—That was a return that would be made to the Ontario Government at any rate? A.—Yes.

Q.—There was no note or anything else given for that? A.—No.

Q.—In 1904 you were selling that stock out? A.—Yes.

Q.—Then these transfers shown here would indicate the stock that you had sold and had it cancelled, and then other parties had taken it? A.—Yes.

Q.—What is this entered in red ink, "February 22nd, Cancellation, see Executive Committee minute book, 42"? A.—That would be where the three shares would be taken off and given to somebody else.

Q.—Why was it not put through the same as the others? A.—It might have been.

Q.—It apparently was not from that? A.—No, that last stock I held was cancelled in the regular way, page 42.

Q.—At page 42 of the Executive minute book there is a resolution of the 22nd February, 1904, that three shares of your capital stock subscribed on the 31st December, 1903, be cancelled? A.—That is that 269 shares.

Q.—And then the same amount of stock was allotted to other parties by this resolution? A.—Yes.

Q.—I think that is the first resolution of the kind in the books? A.—Yes.

Q.—Why was that put there as a minute in that book, and all these previous transfers— A.—The others would be put through as allotments, because there would be nothing attached to the application.

Q.—Nothing attached to the application for this one? A.—Yes.

Q.—Let us see? A.—What one is that?

Q.—Take any one of them, January 23rd and February 22nd, take those two? A.—Here is April, 1904.

Q.—There was no consent, this would have to be cancelled by a resolution? A.—Yes, the others were consents.

Q.—When these red ink entries appear in the book we can understand that was put through by a minute in your minute book, whereas the black ink entries were put through by the consent of all parties as shown in this subscription book? A.—Yes.

Q.—You go on with other transactions of that kind, cancellation of 66 and others mentioned here? A.—Yes.

Q.—And that left you 24 shares October 26th? A.—Yes.

Q.—And then by cash \$40? A.—That would be four shares.

Q.—You had already paid for 20, and now you pay for four? A.—Yes.

Q.—So that those 24 were put by payment of ten per cent. call as though they were your own, with a proper amount paid? A.—Yes.

Q.—You got a transfer from J. A. Johnston, ten shares? A.—Yes. That man had \$1,000, ten shares in the company; he was dissatisfied, he wanted to get rid of that, and I traded him an endowment policy for it, I paid the premium until the \$125 was eaten up in premiums for the stock, gave him \$125 for the stock, and he

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took insurance for it, twenty year endowment.

Q.—Who paid for that stock? A.

—Mr. Johnston paid for the stock.

Q.—Originally? A.—Yes, I paid Johnston's premiums personally for that, that was the transaction.

Q.—How did you get the endowment policy? A.—It was on his own life.

Q.—You paid the premium to the company? A.—Yes, and he gave me the stock and I took that, the \$125.

Q.—That is to say you paid the premium after deducting of course the agent's commission? A.—I do not remember whether there was any commission deducted or not. I never took a commission on the premiums in my life.

Q.—You are not sure of this one? A.—I do not remember about that one, I might have taken that one; in the ordinary way of writing up a man's insurance I never take a cent of commission.

Q.—Nor got a rebate or allowance? A.—No, only on my own.

Q.—Then you have other transfers from Peters, a similar case? A.—Yes.

Q.—An endowment policy there? A.—No, he was agent of the company, and he owed us some money; I took his stock, I paid off his indebtedness.

Q.—On December 31st you have a subscription for 104 shares? A.—Yes.

Q.—That subscription at the end of 1904 was made, I suppose, for the same reason at the end of 1903? A.—No, it was not, we were cleaned up at that time, we had not any stock now on our hands, all our stock we had at that time was paid for except those 104 shares.

Q.—That is to say on the 31st December, 1904, all the directors held just the stock for which they had paid the call? A.—That was all.

Q.—There was no stock standing around waiting to be sold? A.—Not a share. John D. Campbell, of Haverhill had taken 80 shares, and Rev. Father O'Reilly, of Oakville, had taken 20 shares which they had given their agreement to pay in December; both of these men, Father O'Reilly had been sick for a long time in St. Joseph's Hospital, in Hamilton, and the other man had lost his wife; the result was we were asked to cancel the stock, that made 100 shares, that left us 104 shares after we cancelled the hundred, and I suggested to the Board I would take that 104 shares, and I gave my note, and that note

was taken and discounted in the bank; that was the first note we discounted.

Q.—You took 104 shares, which, I think, brought your subscribed stock up to \$500,000? A.—Yes.

Q.—It completed the 5,000 shares you were then out to allot? A.—Yes.

Q.—Was there any understanding when you took that 104 shares as to the terms on which you were to hold it and your liability? A.—There was the understanding with the Board that I was to take that stock and keep it until it was sold, and when sold the money would be paid into the company.

Q.—It was not intended that your note should ever be collected? A.—No, not from me, although the note was discounted in the bank, and the company got the benefit of it.

Q.—As between the bank and yourself you would be liable to the company? A.—Yes.

Q.—But as between you and the company? A.—It was not intended I should ever pay that money.

Q.—Did all the directors know that? A.—Yes.

Q.—Is that stated in the resolution? A.—Yes; it is not stated in the resolution at the time—

Q.—December 31st, 1904, at page 51 of the Executive minute book it was moved by Mr. St. John, seconded and carried, That the application of J. M. Spence, dated at Toronto, 31st December, 1904, for 104 shares of the capital stock of the Central Life Insurance Company, be approved, the said stock to be allotted and placed to Mr. Spence's credit on the books of the company"—there is not a word there you were not to be liable for it? A.—No.

Q.—Nor how you were to purport to pay for it? A.—No, but it was understood I would give my note for it and I did.

Q.—In all your returns that stock would be treated as yours? A.—Yes.

Q.—And partly paid for? A.—Yes, paid stock.

Q.—That is paid to the extent that had been called? A.—Yes, Just the same as any other stock, and the company held my paper for it.

Q.—Do you regard the giving of a promissory note for stock as payment? A.—I do not know that I do, but we did it, and we thought it was the best way we could do at the time.

Q.—That is to say you decided to do it regardless of whether it is pro-



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per or not? A.—No, we thought it would be all right at the time, we were advised by our solicitor it would be all right.

Q.—I do not want to appear to be contradicting you, but do not run on and put it on the solicitor if the thing was never discussed at all, because I do not know that it would be natural to think it would be discussed? A.—I think I talked the matter over with them and explained to both these men at the Board meeting that I would take the 104 shares and give my note, and they could discount the note at the bank, and they agreed.

Q.—It was understood it was not to be payment? A.—It was understood to be sold again, and when sold I would be relieved of that note.

Q.—You never discussed any more than that with the solicitor or any person else? A.—No, nor with the Board.

Q.—That was the understanding with all the members of the Board? A.—Yes.

Q.—That transaction is referred to in the minutes again, but this time in the minutes of the Board meeting at page 139, on the 15th January, 1906, at that time the deck was clear, there was no dissenting directors around then? A.—No.

Q.—And between December 31st, 1904, and this date, 1906, there is nothing in these books that I find to show there was any understanding but that you should take that stock and own it? A.—Yes, it was not referred to at all.

Q.—This resolution reads this way, "Moved by Dr. Dow, seconded by Dr. Groves, That the 104 shares of extra stock taken by Mr. Spence in December, 1904, for which he gave two notes to the company covering the first and second calls and voucher for \$130, these notes and vouchers be now cancelled and that stock still remains in Mr. Spence's name, he having given his personal note covering the full amount for 104 shares at \$17.50 per share, total \$1,820 at three months, the understanding being that this stock will be sold if possible before the maturity of the notes"—that is a resolution put through in this year? A.—Yes.

Q.—And I cannot quite understand what the transaction involved there is, apparently you cancelled certain notes and gave another note? A.—At the time I was sick, Mr. Crawford

gave my family to understand that they would be liable for those 104 shares.

Q.—Were not you liable for it? A.—I was by my note, but by the understanding with the Board I was not liable, and it was intended that I would not be liable, or that that would not be held against me, but when I was sick as I have said my family were given to understand by Mr. Crawford that I was liable, that that would be taken out as against them out of my insurance, or in other words when he was arranging to adjust matters in connection with my estate this was a part that would be taken against my family.

Q.—When he was arranging matters against your estate, you were not that near dead? A.—I was about it.

Q.—I think that is a little far-fetched, to work in that little reflection? A.—It may be, but that is the way I felt about it; I do not think he had a right to come to my home when I was sick and interfere with my family in that way.

Q.—Mr. Crawford took the position that you were liable on those 104 shares? A.—Yes, and made my family uncomfortable over it.

Q.—There is nothing in the books shows anything to the contrary? A.—No, and I made up my mind that it would be in the books when I got back, that I would have no more of that kind of thing going on any longer.

Q.—This does not put it any too plainly yet, does it? A.—It was plain enough to clear me.

Q.—It says it is to be sold before the maturity of the notes? A.—I am quite willing to assume the liability of it now.

Q.—How do you mean? A.—I am quite willing to assume the liability for it.

Q.—Now you have it in your wife's name? A.—Yes.

Q.—I suppose there is not much liability there in your wife's name? A.—Yes, just as much as in mine and more.

Q.—Then that 104 shares is referred to again at page 166 at a meeting of the Board held on April 30th, 1906, that is just a month or two ago? A.—Yes.

Q.—Moved by T. E. Bissell, seconded by Dr. J. Dow, "That 104 shares of the capital stock of the Central

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Life Insurance Company of Canada, subscribed by J. M. Spence, 31st December, 1904, and being stock list number 498, he now cancelled for the reason that the above named stock was subscribed for by J. M. Spence on the 31st December, 1904, to bring the subscribed capital stock of the company up to \$500,000, it being understood by the directors that the said stock should be resold, and when sold the amount due the company would be then paid to the company by the new subscriber, but owing to illness Mr Spence was unable to make a sale of the said stock, and at a meeting of the Board of Directors held at the head office of the company on the 15th January, 1906, the said stock was still left in Mr. J. M. Spence's name, he giving the company his note covering the first and second calls on account of said stock, and we now direct that the said note be cancelled and returned to J. M. Spence—that is getting more definite to the nature of the transaction. Don't you think you ran along from January to April without knowing exactly what arrangement there was with the other directors? A.—They all knew just that arrangement as it is there in black and white, but it had never been put that way until April.

Q.—Why did you not do it until January? A.—I did not think it was necessary.

Q.—You went back determined to get that put right? A.—Yes, I put it right at the meeting of the 15th, and I thought I could get it sold in the three months, and if it were sold we would have it wiped out before the three months were up, and I did not sell it and I wanted it put in such a shape that there would be no further trouble.

Q.—The shape you put it in there was to cancel it in April; and then have Mrs. Spence take 104 shares. The next resolution reads this way: "Moved by T. E. Bissell, seconded by Dr. Dow, that the application of Emma Spence for 104 shares of the capital stock of the Central Life Insurance Company of Canada at a payment of \$17.50 per share be accepted, and that the stock be allotted to her on the books of the company, and the President and Managing Director be instructed to accept from Emma Spence her note payable to the company, being the amount due on account of said stock." At the same time you had several other transfers

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of stock made to Mrs. Spence? A.—I transferred everything to her over and above the 200 shares which I wished to keep.

Q.—It was not opened till April 23rd, 1906, and then it was opened up by a transfer of 28 shares? A.—Yes, from me.

Q.—On the 30th of that same month these 104 shares we refer to were put in her name by allotment? A.—Yes.

Q.—And on the same date, April 30th, there were five other transfers of stock from other shareholders in the company, 52, 42, 2, 2, and 160 shares respectively? A.—That is right.

Q.—What do these transfers mean? A.—That is stock we bought from different parties.

Q.—Friends of Mr. Crawford? A. No. different parties.

Q.—Had anything been paid on that stock? A.—Yes.

Q.—How did you pay for this stock? A.—There has been \$12.50 a share paid to the company, on most of that by the original subscribers, and then my wife paid the company the 5 per cent. call, and paid them for what we agreed on our stock.

Q.—What did you agree? A.—In some cases the stock cost us par and some cases less.

Q.—How much less? A.—Some of it was cheap enough.

Q.—How cheap? A.—I could not tell you exactly now.

Q.—What is the cheapest—what is the cheapest you bought stock for? A.—Those 160 I gave \$1,300 for those, that was the cheapest.

Q.—That is the cheapest you bought any stock of the Central Life Company for? A.—I think that is the cheapest lot. I gave \$375 to Crawford, that was \$15 even. Montgomery \$17.50. I got some of it practically for the call on it.

Q.—And some for less than the call? A.—No.

Q.—Did not any person lose money on the call? A.—No.

Q.—They just lost the bonus? A.—Yes.

Q.—This amount of \$1,300 for 160 shares would be less than call? A.—But here is a case here—

MR. McKINNON: The second call.

MR. TILLEY: Q.—When you are speaking about call, do you mean the first call? A.—No, the second call. There is the cheapest one I got, that

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is two shares; I got that for \$10, he had paid \$12.50 on each share.

Q.—That is the shareholder had paid \$25? A.—Yes.

Q.—And the shareholder got back how much? A.—Nothing, he got his liability released.

Q.—What you mean to say is you took this stock and paid the call? A.—In that case I did.

Q.—You mean that there is no other case where you charge the person anything for taking it off their hands? A.—Never charge them anything. Here is a case where I gave a man a policy for about \$11 premium, and I paid the premium on it and paid the call on it and did that in that way.

Q.—Do I understand in several of these cases you have taken stock off the shareholders' hands releasing them from their liability? A.—I did in several cases.

Q.—And you paid the \$5 call to the Company? A.—Yes.

Q.—Have you sold any of that stock? A.—No, not a dollar.

Q.—Never sold any? A.—Not before we went to Quelph.

Q.—Before you went to Guelph? A.—None of that, we had sold some of my own stock before, very little.

Q.—Have you made a profit on the stock you had placed in your name that way? A.—No, I have enough stock now in my wife's name that I will be able to sell that and get back our own money and pay the Company at par.

Q.—Is that stock yours or your wife's? A.—My wife's stock.

Q.—Is it your stock in her name? A.—It is her stock, it is in her name, and it is in that way temporarily until we can get it cleaned up.

Q.—Is there anything paid on it, on any of it? A.—There are only two notes against it, there is \$6,615 paid on it, and against that there is a note for \$1,820 and one for \$1,700 and some dollars.

Q.—If these shareholders of that stock had paid a call and could pay the second call why should not the Company cancel that and forfeit it and re-sell it and get the benefit of it? A.—They did not want to do it; we have some of it there, and it is a matter that will have to come up before the meeting; we will have to do something with it now, because I would not take any more of it.

Q.—You would not take it if you were an outsider? A.—I would not touch it at all now.

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Q.—Why? A.—Because I have enough liability now.

Q.—That is the reason that appeals to you? A.—I do not want to control the Company.

Q.—You do not want to control the Company any more than you do? A.—I do not control very much.

Q.—Is it not right that this idea of the liability on that stock has been present to your mind for some time just as you said a minute ago? A.—Yes.

Q.—And that accounts for the transfers to your wife? A.—No.

Q.—You had as much in your own name as you wanted? A.—No, I am quite willing to carry it all in my own name, but the fact of the matter is I had so much trouble with the stock I had in my own name during my illness I did not want to have it that way any longer.

Q.—Why? A.—On account of the condition of my health.

Q.—What advantage was it to transfer it to the wife and family you have been talking about? A.—I do not know that there would be any difference, just simply take it out of my own name so as to have my own clear.

Q.—You made that transfer, it is fair to say, so as to have the liability wiped out as far as you were concerned? A.—Yes, and my 200 shares stand without any liability.

Q.—And you do not want to carry any further liability? A.—No, and that is only carried until we can clear it up, this is for sale.

Q.—And in the meantime the company is carrying Mrs. Spence's note? A.—They are getting paid for it, though.

Q.—You say Mr. Crawford paid for the \$4,000, and you disapproved of that very strongly? A.—We have never got that money yet, it has never been paid in, it is not money that has been loaned, it is a balance due on stock, and the company are getting 5 per cent. on it.

Q.—Why did you want to make the subscribed stock \$500,000? A.—It was only 104 shares short of that amount, and we wanted to run it out.

Q.—For advertising purposes? A.—I suppose there was that in it, although we did not think of it in that way although it would appear that way.

Q.—I see on June 12th there are three transfers for 5, 10, and 10 shares respectively; on June 16th a



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transfer of 10 shares, and another one of 20 on June 20th, another transfer of 16 shares; are those all acquired by your wife in the same way? A.—This stock here was sold.

Q.—I am referring to an entry on June 8th to Henry Lock? A.—20 shares sold to him for \$300, and he got sick of it, and came back and played the baby and I took it back and gave him the money.

Q.—Mr. McKinnon suggests the reason the stock is in your wife's name is that she is practically just holding that stock as trustee for the company? A.—That is all.

Q.—Supposing there is a little profit in it who will get it? A.—There won't be any profit in it.

Q.—Or for the company? A.—Or anybody else.

Q.—Do you say it will be impossible to sell that stock at more than the amount of the call? A.—I think I can sell it at \$15 a share, that is if I can get that out of it we will be clear, and if we do not get that we will be the loser. If we get more than \$15 out of that stock the company will get the difference.

Q.—There is no use discussing that, you say that is impossible? A.—I do not think it is possible to get any more than that.

Q.—There is no arrangement between the directors and yourself or the directors and your wife? A.—No, we are liable for the whole thing—

Q.—Not we? A.—I say my wife is.

Q.—As a matter of fact these transactions you are carrying on this page are all transactions that you are managing yourself, your wife takes no interest in them; does she know what stock she owns? A.—Yes.

Q.—Could she tell me what stock she owns if I asked her? A.—No, I could not have told you if you had asked me.

Q.—Probably she could remember it better than you, because you have so many things to remember? A.—I do not know about that; she knows what she has in the company, and that is about all she knows about it.

Q.—Does she sign transfers herself? A.—Always.

Q.—Could the company collect anything from her on that stock? A.—They would have just as good a chance to collect it from her as anybody else.

Q.—Not anybody else? A.—Anybody in ordinary circumstances.

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Q.—You think she is financially able to pay? A.—She has it nearly all paid for.

Q.—Supposing there was a call on that stock; I notice in some of your resolutions you refused to let a man transfer his stock because the transferee might not be so good as the original holder? A.—I think we have been too liberal in that respect.

Q.—You have not been regular in your decisions? A.—Not as we ought to.

Q.—In some cases you have cancelled the shareholders' stock? A.—And people that were absolutely good.

Q.—Why was that done? A.—Merely we thought it best in the interests of the company to do it; that is about all that can be said about it.

Q.—You also cancelled stock that was held partly paid and let the shareholder treat everything he had paid as being payment in full of part and release the balance? A.—We have done that to reduce the holding and let it go; we have done that.

Q.—Why would you do that? A.—Just to accommodate the party, the stockholder.

Q.—Other cases you refused to do it? A.—I do not think we were ever asked to do a case like that and we did not do it.

Q.—Here on page 18, Moved by Mr. J. M. Spence, seconded by J. W. St. John, That the request of P. Leadley in statement number 95 for application of 20 shares of the capital stock of the company taken in the usual method of payment of \$12.50 per share in exchange for five shares fully paid up, on which he had already paid \$512.50, be substituted for the original taking, and the difference to his credit of \$262.50 be paid to him"—that would be approved, that is to say you cancelled his liability, you applied a certain amount in payment of five shares to make it fully paid, and gave him back the rest of his cash? A.—No, that is not the position. Mr. Leadley had five shares fully paid up, \$512.50, and we got Mr. Leadley to take twenty shares in the ordinary way, with \$12.50 paid up on each share, and the difference out of \$512 we gave back to him, so that he is liable for the two thousand dollars where he was liable for nothing before.

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Q.—That is the way that transaction was carried through? A.—Yes, we had only two cases in the company where the stock had been fully paid up. There was that one, and one in Berlin, Dr. Wright. He has 20 shares fully paid up, and we offered to give him \$1,000 in cash, and he take the other half in stock with \$15 paid on each share.

Q.—That is you allowed him to pay more than the call and now you regret it? A.—Yes, we would not do it now. We would like to get it back.

Q.—Would you be good enough to make us copies of the ledger accounts in the capital stock ledger of yourself and Mrs. Spence and the other directors afterwards and send them to us? A.—Yes.

Q.—And show the entries just as you have them in the ledger, those that are in red ink show them that way? A.—Yes.

Q.—I want exact copies of the stock ledger account? A.—All right. You want them just of the directors?

Q.—Yes, and yourself and your wife? A.—All right.

Copies of ledger accounts asked for to be filed as exhibit 335.

Q.—Mr. Blackadar made a report on your Company at the time you were applying for the Dominion license? A.—I do not know about that, he was at the office in Toronto and looked over everything.

Q.—That report is already in as exhibit 17, and I would like to know from you whether that correctly states the position of the Company. What he says is: "The Company commenced business April 1st, 1901. The following summary of income and expenditures for the four years combined, etc. (Reads)? A.—That would be the four years put together.

Q.—That would be right? A.—I would say yes.

Q.—You will be able to tell whether there is a mistake? A.—Yes.

Q.—(Reads items down to total receipts \$112,807.78)—that shows the receipts correct? A.—I think it would be pretty well correct.

Q.—Disbursements: Paid for claims \$7,000, paid for expenses \$63,802.05, total \$70,802.05; the balance \$42,005.73. That shows that the total receipts of the Company up to the end of 1904 when he was making his report amounted to \$42,005.73 over these disbursements? A.—Yes.

Q.—And the receipts included all the capital stock and the premium on

that capital stock? A.—I guess that is right.

Q.—If you eliminate what the shareholders paid, the amount paid in for premiums and interest up to the end of 1904 would be \$48,194, and your disbursements for expenses some \$63,000, and for death claims \$7,000, that is to say your expenses amounted to about \$19,000 over and above all your receipts for premiums and interest? A.—About 130 per cent?

Q.—Yes? A.—Yes, that would be right.

Q.—Your assets 31st December, 1904, consisted of (Reads from Mr. Blackadar's report); making a total of \$40,485.67. Then other assets: Advances to agents, \$2,889.69; interest accrued, \$133.50; outstanding premiums, \$11,233.19; sundries, \$383.26; total assets, \$55,125.31. Liabilities: Reserve computed on the Hm. 3½% table \$23,101.86, premiums paid in advance, \$99.70; surplus of assets over liabilities, \$31,923.75, capital paid up, \$52,100, and that would show impairment of \$20,176.25? A.—Yes.

Q.—That impairment of \$20,176.25 would be in addition to the amount that was paid in by way of premium, that is to say if there had not been premium paid, if the shareholders' money had all been treated as payment of capital it would have been that much more? A.—Yes.

Q.—That would add to that an item of \$12,512.50, making it about \$32,000 odd dollars? A.—Yes, but you should not add the premium to that.

Q.—I am not adding the premium to that and calling it all impairment, I am showing how much of the shareholders' money had been spent to the end of 1904? A.—That would be right.

Q.—Take these assets up to the end of 1904; you have advances to agents? A.—Yes.

Q.—What does that include? A.—It is monies the agent had got by way of commission to be earned, advances.

Q.—Up to 1904 that amounted to \$2,889.69? A.—It is a bad asset.

Q.—What is it worth? A.—We do not consider it worth anything now.

Q.—Since when? A.—Since we went to Guelph we have abandoned that altogether, we have no advances any more, we have wiped that part of our business out altogether.

Q.—Written it off? A.—No, but we have written it off so far as any further advances are concerned, we have abandoned it altogether.

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Q.—You have stopped the practice?  
A.—Yes.

Q.—I am asking you of that item of \$2,889.69? A.—That is money owed to us by agents.

Q.—What was it worth to you on the 31st December, 1904? A.—It would be worth that to us until we could either wipe it off—

Q.—Could you collect that from your agents? A.—I do not know that we could.

Q.—What was it worth, 25c.? A.—We would take it at 100 cents on the dollar, and if we could not succeed in getting it in a year we would wipe it off.

Q.—You do not wipe anything off this? A.—No.

Q.—Some Companies do not carry it as an asset? A.—I do not think any Company should carry it as an asset, because it is hard to collect.

Q.—You carry it at 100 cents? A.—We do not now.

Q.—What was it worth at that time? A.—Just what is on the paper.

Q.—As an asset. A.—Yes.

Q.—What was it worth to buy, what could be realized to purchase, 10c. on the dollar? A.—Yes, but I could not tell you what it would be, have no idea.

Q.—Outstanding premiums, \$11,333.13, would that be over due premiums? A.—Yes, premiums in the course of collection.

Q.—Were they due? A.—No, future premiums not yet due.

Q.—Deferred premiums? A.—Yes, and premiums that would not come in for two or three or six months.

Q.—Why did you include those premiums? A.—Supposing we wrote a man for \$20,000 and we got two notes payable six months apart, and the first one would be called a deferred premium—

Q.—Would that come under this heading of outstanding premiums? A.—Yes, they would both come in that.

Q.—Is that account there the gross amount of those, or does that take off an allowance for collection? A.—Just the gross amount.

Q.—The Department at Ottawa always insists upon a certain amount being taken off, about 40 per cent. off first year and a certain amount off renewals? A.—We have no instructions from them as to that.

Q.—This was your first year? A.—Yes, and the Ontario Department do not take anything off.

Q.—Would you if you were arriving at what the Company is worth take anything off? A.—I would take off what ought to be the commission on the premium out of each year.

Q.—Tell me what that item is worth on the policy? A.—We take it for its full value there.

Q.—What is it worth as an asset? A.—We could not tell you.

Q.—You have had the experience of a year and a half since that date, what do you say now that asset has turned out to be? A.—We get our collections in the regular way, I think it will be all right yet; we cannot tell you until the end of the year.

Q.—A lot of that \$11,233.19 never was paid and never will be paid?

A.—There is a portion of it, but what that portion is we cannot tell, we do not know.

Q.—At any rate you took it in at the full amount up to the end of 1904? A.—Yes, we have done that.

Q.—Let us take the statement at the end of the report. The following is a statement of the business written and terminated during the four year; written, and then it gives the number of the policy, amount; terminated, number and amount. 1901 you wrote 261 policies, for \$288,000; in 1902, 333 policies for \$371,250; in 1903, 360 policies, for \$381,753; 1904, 278 policies for \$264,500? A.—Yes.

Q.—1,232 policies for the four years at a total of \$1,305,500? A.—Yes.

Q.—The terminated ones were, 1901, 24 for \$41,000; 1902, 247 for \$258,500; 1903, 239 for \$253,750; 1904, 278 for \$278,500, making 788, amounting to \$831,750; that is to say 788 policies that were written in those four years lapsed out of 1,232 policies, leaving only 444 in force? A.—Yes.

Q.—The lapsed policies amounted to \$831,750 out of \$1,305,500, leaving only \$473,750 of insurance in force at the end of four years? A.—Yes.

Q.—That is right? A.—Yes.

Q.—That is to say you only had about one-third of the business you had written on your books at the end of four years? A.—Yes.

Q.—How do you account for that? A.—I think you will find that is just in keeping with what other companies have.

Q.—Do you say the lapse rate of other companies is the same? A.—I think the lapse rate of the other com-



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panies is just about as great as that, the new business. The older a company grows the more the business becomes persistent.

Q.—But it is a fact that in the first four years of a company two-thirds of your business will go off your books? A.—We expect that.

Q.—Two-thirds will go? A.—Yes.

Q.—You got the full expectation? A.—Yes, we have in that respect.

Q.—Have you a copy of your 1905 returns here? A.—Yes, here is one.

Q.—Copy of 1905 returns as shown in Annual Report, filed as exhibit 336.

Q.—Does this statement that is in the printed pamphlet agree with the return you sent in to the Government? A.—Yes.

Q.—I notice you sent in at the end of 1905 a list of your shareholders, and you have set out the list of shareholders, and you make the list total to the 5,000 shares subscribed, \$500,000, and you say \$75,100 have been paid? A.—Yes.

Q.—On your own stock, J. M. Spence, 234 shares, that includes the 104 on which you had given your note? A.—Yes.

Q.—\$23,400, the total amount of the shares? A.—Yes.

Q.—And the amount paid by you \$3,510? A.—Yes; there was a liability of 15 per cent. on the 104 shares.

Q.—This is supposed to be the amount in cash? A.—Yes.

Q.—You had not paid that in cash? A.—No, there was a note there for part of it.

Q.—And a note which your minutes show after that date was not to be paid? A.—Yes, that is quite true.

Q.—In the sworn return you sent in to the Government you say in the third item. "Amount paid up in cash, \$75,100; and that is sworn by you to be the true state of affairs of the company? A.—Yes.

Q.—That was untrue? A.—No; my note was there for that amount of money, and it is accepted by the company as cash and realized on.

Q.—No, according to the resolution you had in the books that was not accepted by the Company as cash at all? A.—That is quite true, but the Company have actually accepted the note and cashed it in the bank and had the cash for it.

Q.—That was not paid in cash? A.—No.

Q.—It was not payment on the stock? A.—I quite agree with you in that.

Q.—That is 'just a transaction whereby the note was in the possession of the Company? A.—Quite true, but the Company had the money out of the note.

Q.—What do you say now, that the Company had paid up in cash \$75,100 on its stock, or had it not? A.—It had paid up, and it was all in cash but that note.

Q.—Don't you think when you are making an affidavit verifying the annual statement it would be proper for you to show that? A.—I put that note in as cash and I considered it cash because the Company has cashed it.

Q.—If the resolution that you put in the minutes later on and after this statement was sworn to, is correct, that note could be handed back at any time, and it was afterwards cancelled? A.—I suppose it would, and if it was handed back that stock would have to be reduced, that is all.

Q.—And you thought in the meantime you were justified in pledging your oath that the Company had \$75,100 paid up in cash? A.—I am quite safe in saying I am liable for that money and will pay it.

Q.—No, you are not liable because the Company cancelled your note? A.—I know, but at that time it was not cancelled.

Q.—But under the arrangement that was made with the Directors as you claim, it was never to be called on to be paid? A.—It was there until the stock was sold.

Q.—That 104 shares was subscribed on the last day of the year for the very purpose of being able to put that in the return? A.—Yes, it was to bring our stock up—I will admit this, the transaction did not turn out as it ought to have turned out, and perhaps it was not the right thing to do, and perhaps I would not do it to-day; and it was done for what we considered the best interests of the Company.

Q.—The best interests of the Company might not be identical with the interest of the public? A.—Yes, it might turn out, but that has not turned out wrong yet.

Q.—We cannot tell to what extent persons have become shareholders or policyholders in your Company by virtue of this very statement—that is something we cannot tell? A.—That is quite true.

Q.—And you put the transaction through for the very purpose of being able to make this statement which

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would mislead the public? A.—(No answer).

Q.—The 1905 statement when added to this return of Mr. Blackadar's brings your financial statement practically down to date? A.—Yes.

Q.—You have not prepared a profit and loss statement? A.—No.

Q.—Why not? A.—We have never kept a profit and loss account. We are doing that now but we have never up to this time done it.

Q.—Do you say you are not able to make out that statement? A.—We have nothing to make it out from.

Q.—Are the books not kept so that you would be able to give that information easily? A.—We will from this out, but up to the present time we have never kept an account of profit and loss; we are going to do so now.

Q.—Your premium receipts for the year amounted to \$19,035.95? A.—Yes.

Q.—And your interest amounted to \$1,897.88? A.—Yes.

Q.—Then you paid out to policyholders in claims the sum of \$2,000? A.—Yes.

Q.—Did you pay anything else to policyholders? A.—\$815 cash surrender values.

Q.—Where is that shown? A.—I guess perhaps you would get it fuller in this report.

Q.—I wanted to find it in your printed statement you issued to your policyholders? A.—It would be in one of those items.

Q.—Your regular return does not quite agree with the printed return? A.—No, it was not got up according to the way the Government do now.

Q.—Let us take it from this other return you sent in; in this statement you have returned to the Commission it shows the amount received for premiums was \$19,035.95, less paid for re-insurance \$314.30, making \$18,721.65; that does not agree with your statement in the printed return? A.—The two items are split up in the printed report and the re-insurance is in the item of disbursements.

Q.—That shows you received for premiums net \$18,721.65? A.—Yes.

Q.—For interest you received \$1,897.86? A.—Yes.

Q.—That together would make \$20,619.53? A.—Yes.

Q.—Then your expenditures amounted to \$2,815, for the policyholders, comprised of death claims and surrender values? A.—Yes.

Q.—And then take your other expenses, leaving out the investments

you made, and omit loans on policies, I have totalled them up, and I think they come to \$23,361.07? A.—I guess so.

Q.—So that your expenses absorbed all your premium income and interest? A.—Last year.

Q.—And then if you take the payments you had to make to your policyholders it exceeded the premium income by about \$5,500? A.—We were that short last year.

Q.—How is it that there is that heavy expenditure? A.—It is a young Company and the cost of getting business is so great and expense of running a Company here in Toronto was so much that we could not get along with anything less; we felt that.

Q.—Why would the expense be very high in Toronto? A.—Rents are high and it costs more to get a man here; the class of men you will get here as agents in Toronto generally get the better of the Company.

Q.—You say it is because of the cost of getting business through agents rather than your Head Office expenditure? A.—Yes I think so; our Head Office being situated here it is more expensive than where we are now in a smaller place, and then our system last year of having agents with salaries and advances was not a good one.

Q.—Did you pay them salaries? A.—Salaries and advances and anything else.

Q.—Why was not it a good one? A.—We did not get the money back.

Q.—We have had some persons who say that is the proper way to pay agents? A.—I do not think it is, I do not think any advances should be given at all.

Q.—Do you think they should be on salary? A.—On commission or salary.

Q.—Is there any difference between them in your opinion? A.—I think commission is the fairer way.

Q.—Which way have you your agents now? A.—Commission.

Q.—In your list of assets at the present time you have the value of the debentures \$54,000? A.—Yes, those have been written up.

Q.—How much? A.—Just the difference what we paid for them. Those debentures cost us, we paid for the City of Vancouver \$18,620, Winnipeg \$10,000, Victoria \$14,925.

Q.—That shows the cost of the Debentures? A.—Yes.

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Q.—And you have written them up to the par value of \$54,000? A.—Yes.

Q.—On the basis of this statement that you have handed in for the 1905 business how much does your impairment of capital amount to now, Mr. Spence? A.—Thirty odd thousand dollars.

Q.—\$36,194.11? A.—I guess that is it.

Q.—This 1905 still included some of the items which were not quite so good as they should be? A.—No.

Q.—Premiums outstanding, included in your assets for \$2,383.43? A.—Our assets there might be \$6,765.77 more than appear on the basis of our former reports.

Q.—Why? A.—Because we wrote that off last year.

Q.—Should not you have written off more? A.—I think we did pretty well; we want to wipe it out in a couple of years.

Q.—It is your intention to wipe it out? A.—Yes.

Q.—You do not want to wipe it out too fast? A.—We do not want to wipe it out all at one time.

Q.—So far as showing a proper balance sheet is concerned you would think it better to wipe it out at one time? A.—It would be an improved balance sheet.

Q.—What items do you want to wipe out? A.—We want to wipe out just those items, but we cannot determine that until the end of the year.

Q.—If the Company was in a proper financial standing what ones would you wipe out? A.—Wipe them all out.

Q.—Premiums outstanding \$2,383.43? A.—I would leave that.

Q.—Premiums deferred? A.—I leave that in.

Q.—Accrued interest? A.—I would leave that in.

Q.—Advances to agents \$3,105.69? A.—I would wipe that out.

Q.—Furniture? A.—I would leave that in and reduce a percentage off each year.

Q.—Loans on policies? A.—That is good.

Q.—Bills receivable? A.—That is good.

Q.—For the full amount? A.—Yes.

Q.—Have you not been getting judgment against some people on these notes? A.—No, the bills receivable are there; after we wipe off everything we consider no good; those are all treated as good.

Q.—Besides that impairment of \$36,000 there has been the surplus paid in by way of bonus? A.—Yes, and that has been eaten up in the selling of the stocks.

Q.—So that your impairment now is about \$16,000 more than it was a year ago when Mr. Blackador made his report? A.—About \$15,000 more.

Q.—It would have taken very little more to have made it double what it was? A.—I know.

Q.—It was only \$20,000 at the end of 1904 and it is \$35,000 at the end of 1905? A.—But you are not allowing for the \$7,000 we took credit for. Our impairment a year ago would have been \$27,000 instead of \$20,000 as Mr. Blackador had it on the same basis on making up the report we now use.

Q.—Your impairment now would have been higher? A.—Yes, so that the impairment has been a gradual one each year until now.

Q.—It has increased 50 per cent. more than it had been last year if you had taken that item out? A.—It would have been about the same increase.

Q.—Increasing that way how long before it will be— A.—We have got to the limit, we do not expect any further increase in our impairment, we expect it to go the other way now.

Q.—How much insurance have you got on your books now? A.—\$600,000.

Q.—That is to say you have got impairment of capital of \$36,149.11 at the end of the last year and you have only got \$600,000 on the books? A.—That is right.

Q.—Is not that very expensive getting business? A.—Yes, but we cannot get it any less, not at our present rate of going.

Q.—How much did you add to your insurance during last year? A.—From \$473,000 to \$600,000, \$130,000.

Q.—That is after the fifth year of your existence, do you think that is a sufficient step in the fifth year? A.—I think it is about all we could afford to add owing to the high rate of valuation required on our policies.

Q.—According to some of the addresses at your annual meeting you anticipated a great deal better than that? A.—Yes, it is a question whether it would be safe to write very much more or not.

Q.—It might not be safe to write it because too much money is going



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out in expenses? A.—That is what has been the matter in the past.

Q.—You could not afford to write it possibly? A.—Not any more.

Q.—It is not very satisfactory, is it? A.—No, our expenses are too much, that is the only trouble we have, our expenses are too much.

Q.—That is the trouble that affects a great many people? A.—It affects a good many companies. We hope your Commission will be able to help us out in that matter.

MR. KENT: Q.—Do you think from what you know now there ever was any room for your Company? A.—I think there is room for our company; I think there is room for all companies, the great trouble in my mind is that the old companies are trying to get too much business, and they do not wish to divide it, they want it all.

Q.—Do your shareholders ever ask when they are going to get a dividend? A.—Very seldom.

MR. TILLEY: Q.—I think you made some indefinite promises about dividends in the very near future? A.—We thought when we commenced first we would have dividends at an earlier period than we have, but we find now if we get dividends about the time other companies get dividends it would be all we could do.

MR. KENT: Q.—I notice transactions in the way of loans are charged in your cash book to sundries? A.—Yes.

Q.—I suppose you have no account in your ledger for sundries? A.—Yes, they are put through the Journal and then put into the ledger item as one account. There are only two or three small amounts in them, so that it has not amounted to very much, and we hope to have none of it in future.

Q.—Are you a book-keeper yourself? A.—No, I am not a practical book-keeper.

MR. TILLEY: Q.—Are you an actuary? A.—No.

Q.—Have you an actuary in the Company? A.—No.

Q.—A book-keeper? A.—Yes.

Q.—Do you think the Company should be getting along without an actuary? A.—I do not think we could afford to pay for an actuary just now.

Q.—Can you afford to be without one? A.—Yes, we can do our own work.

Q.—Your rates then, I suppose, would be fixed by meeting the other

Companies' rates? A.—No, we adopted our own system of making our rates.

Q.—I just wanted to know what percentage your expenses for new business bore to the expenses of the business you obtained? A.—We have never kept it separate that way.

Q.—Take it this way; your new premiums amounted to \$8,328.17? A.—Yes, I just don't know the amount.

Q.—Just check that? A.—I have not got a statement; I gave you all the statement I had; it is not divided.

Q.—Is it not there? A.—First year \$7,690.17.

Q.—And your first year commissions amounted to \$2,532.52? A.—Yes.

Q.—Your medical fees \$1,163.75? A.—Yes.

Q.—Your travelling expenses \$2,134.59? A.—Yes.

Q.—Agents' salaries \$6,061.31? A.—Yes.

Q.—Those sums would fairly represent your first year expenses would they not? A.—Yes, they would represent the first year expenses.

Q.—They amounted to \$14,721.82? A.—Yes, but they would represent more.

Q.—What is included there that should not be included? A.—There is office expenses, agents looking after the old business there is not brought in, no allowance for that at all.

Q.—First year commission, that is proper? A.—Yes.

Q.—Agents' advances? A.—That would be proper.

Q.—All for first year business? A.—Yes.

Q.—Agents' salaries? A.—They should not be all charged up to first year business.

Q.—How much, 50 per cent. more than that? A.—No; you have your old business to look after.

Q.—You must not allow 50 per cent. off that item? A.—No, but it would take 50 to do it.

Q.—To look after the old business? A.—Yes.

Q.—It would take more than 50 to look after the new? A.—Yes.

Q.—Medical fees, that is all new business? A.—Yes.

Q.—Travelling expenses? A.—That is all part of new business, and part of it looking after old business. In an older company you can charge it all up to new business, but in a young company you cannot.

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Q.—Expenses would be 180 per cent. of the first premiums? A.—That would be a little high, 150 would be about what it would stand.

Q.—That is too high? A.—Yes, it should be less than 100.

Q.—That is to say you have taken half as much again as your first year premiums? A.—Yes.

Q.—You, I suppose, make the estimates for the policies do you? A.—We are not using them now.

Q.—The ones you are using are pretty good? A.—They were reduced.

Q.—Is this the manual that reduced them? A.—Yes.

Q.—Were they higher than these? A.—They were at one time.

Q.—Why did you change them? A.—I think those are too high now; I do not think estimates should be used at all.

Q.—Did you prepare the first book? A.—Yes.

Q.—How did you do it? A.—We had to copy the estimates of other companies.

Q.—What Companies did you use? A.—The North American.

Q.—Do you say your own were not higher than the North American? A.—No.

Q.—Did you have their estimates? A.—Yes, and all the Companies to go by.

Q.—Did you get higher than them or lower? A.—No a little lower.

Q.—I have just picked up the Mutual one for twenty years all life policy, your estimate was \$415? A.—Yes.

Q.—And Mutual \$264? A.—We did not have anything in the Mutual, that is the Mutual Life of Canada, we did not have their estimates.

Q.—You estimate \$415 and they estimate \$264 on the life plan, and you estimate \$350 and they \$311 for the 20 payment life? A.—Yes.

Q.—Then you think these estimates should be abolished entirely? A.—Yes.

Q.—Why? A.—They are misleading.

Q.—I should think so but why shouldn't they be made right, why will companies issue misleading ones? A.—To get business.

Q.—I suppose the estimates are fixed in order to induce people to believe that they will realize a certain amount more than they really will get? A.—Oh yes, in every case.

Q.—And yours is no exception? A.—No, not in that respect. We are a young company and if we went out

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with a lower estimate we could not do business.

Q.—You have got to put out an estimate? A.—Yes.

Q.—And as good as the others or better? A.—Yes.

Q.—Your rates are lower? A.—Yes.

Q.—You have a lower rate but probably a little better estimate? A.—We have to keep that estimate up; the competition calls for that.

Q.—And while honesty may call for something else, honesty cannot be heard? A.—Cannot be heard while the older companies have the field and honesty has no place.

Q.—When you get the old companies out of the way or get equal with them, you will let honesty do a little business? A.—When we get all companies on a par so that they cannot issue estimates, then we are equal with the others. Meantime we have got to have as good estimates as they have or quit.

Q.—Meantime you have a little more leeway because you are not controlled at all. Is that the principle? A.—Oh no, I don't know. The older companies have got good estimates and estimates higher than can be realised and we have to do the same in order to get the business.

Q.—I suppose you copied your proof of death from some other company, too? A.—Yes, largely.

Q.—Did you ever take the time to read through all the answers that you make the widow sign? A.—I have read them, yes.

Q.—Do you think they are useful? A.—Some are not.

Q.—Just matter of historical interest? A.—I think a good many of them are just matter of form.

Q.—And they are difficult to make out, some of them? A.—Some of them are.

Q.—But you have never tried to shorten it? A.—No, we copied what was in use by other companies. (Profits filed as Ex. 337.)

Q.—And your policy loan agreement is the same as other companies? A.—Yes.

Q.—There is no use commenting on it because you have just taken the others, it has the same features as other companies in that you have the right to cancel the policy without notice and so on if the notes are not paid, when you take notes in payment? A.—Yes, it has that right.

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Q.—Do you pay your agents by bonus? A.—No, we have no bonuses at all.

Q.—And what is the highest rate of commission you pay? A.—From 70 per cent. down to 30 with profits. 60 graded down to 30 without profits.

Q.—Is that all the difference there is between your commissions on your profit business and your non-profit business? A.—Just 10 per cent.

Q.—Do you give any instruction to the agents as to what policies you want them to write? A.—Well, we have lately. We wish them to write the life plans, the cheaper plans.

Q.—I notice in the estimates you furnished that the estimate for the Life was the one that so greatly exceeded the Mutual. I suppose that is the way you give them the material on which to write the life plans? A.—Our last instructions to our agents were to write our special 10 year policy, a term policy.

Q.—Is that by reason of the small reserve you have to put up? A.—Yes.

Q.—Does your term policy contain a guarantee that you will continue the insurance? A.—Yes.

Q.—Do you estimate anything in valuing that for the reserve? A.—No.

Q.—Who does the valuing for reserve for your company? A.—We take it from the tables of the life Managers Association.

Q.—Your term policy contains a clause which gives the insured the privilege of turning it into a life plan? A.—Any time.

Q.—At the same rate? A.—No, at the particular rate he would pay.

Q.—You charge the insured something for that privilege, don't you? A.—Not one cent.

Q.—Didn't you give him the right to insure on the life plan at the future date as of his age at the time of the insurance? A.—Yes.

Q.—Is not that something that should be measured by a payment? A.—Well, he pays the difference in the back premiums.

Q.—And you don't estimate anything for the reserve on that? A.—No, when it changes we put up the reserve up to date on the policy.

Q.—Do you do the computation on the reserve then? A.—Well, largely.

Q.—Are all your policies valued? A.—They have never been valued yet.

Q.—By yourselves are they? A.—No, we just follow the regular tables. We have a reserve book.

Q.—Do you lump the policies? A.—No, each one separate.

Q.—What time of the year do you do that? A.—In December, the last of the year.

Q.—Do you go over every policy? A.—Every policy.

Q.—Do you ever leave out any policy? A.—Not one. When I said we ourselves, that is now. Up to the end of last year we always had an actuary to do that for us. Under the Ontario Government we are required to have a certificate from an actuary, but under the Dominion Government we are not.

Q.—What is the object of putting in a clause that the insured must take the policy and pay the first premium? A.—If we did not have that in there it is a question if we could make him pay or not. That is in the application.

Q.—Have you ever sued anyone on that clause? A.—Yes.

Q.—And got judgment? A.—Yes.

Q.—Paid a judgment? A.—I think so.

Q.—How many cases have you sued? A.—Very few.

Q.—That is to make them take a policy? A.—Well, if we have carried the policy for a certain time and they don't pay anything we sue for the premium.

Q.—And if the unfortunate insured happens to give a note, cheque or draft for the premium he is in a little worse position when that comes due than if he did not give any at all, is he not? A.—Well, yes, he has the note to face.

Q.—And if he does not face it, without any notice of action on the part of the company the policy shall be void? A.—Yes, and then we have a right to sue for the note.

Q.—The policy is void and you sue for the note? A.—Yes.

Q.—That is all right for the company, isn't it? A.—It is, in one way, but we don't get enough out of it to pay us for those people who lapse.

Q.—Would it revive then, the policy? A.—Yes, provided he is in his usual good health.

Q.—It is open to the company to re-insure him or not? A.—Certainly.

Q.—So that you can make him pay the note, and cancel the policy because he did not pay it on the day it was due? A.—Yes, but we cannot collect



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the full year's premium unless we would revive the policy.

Q.—But you can make him pay that note? A.—But the condition would be that we should have to revive the policy if he insisted on it.

Q.—Have you ever sued and got judgment on any of the notes without reviving the policy? A.—Oh yes.

Q.—And collected the notes? A.—Yes, as a rule the policy is never revived.

Q.—How soon do you give a paid up value? A.—In three years.

Q.—And a surrender value? A.—Three years.

Q.—Do your policies contain a clause that the reserve of the policy shall be used to pay premiums and continue the insurance? A.—No.

Q.—Should not that be so? A.—Not in a young company.

Q.—You give loans on your policies? A.—Yes.

Q.—Then why should you not loan the man out of the reserve enough to pay the premiums for a few years? A.—That is a question. With an old company perhaps that can be carried out. With a young company I don't think so.

Q.—Why not? A.—Well, suppose I insure your life today for \$1,000 on an ordinary life and the company refused the risk; we then accept you on a 10-pay life or a 10-year endowment. At the end of the third year you could come in under that clause and get your extended insurance on the 10-year endowment where we would not give it to you on an ordinary life, so that you have actually got from the company what we refused in the first place.

Q.—They could get extended insurance for as long as your reserve would carry you? A.—Yes.

Q.—Then you are entitled to a paid up policy? A.—Yes, we grant that.

Q.—What is the difference between giving him a paid up policy and carrying him? A.—Because it is only paid up for a certain amount.

Q.—It is more beneficial to the company? A.—No, I don't know that it is. I think that the other plan would be better if the risks were good, because you would eat up the reserve in premiums, whereas the paid up policy would always be a liability.

Q.—At what date did you get the Ontario license? A.—In February of 1901.

Q.—And the Dominion license? A.—May, last year, 1905.

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Q.—When you made your application did you make the same statement about 10 per cent. on stock capital being paid up? A.—I think the statement we made is just what we have in our report.

Q.—Then you treated stock that was paid by note as being paid up in cash? A.—Yes, certainly.

Q.—You have stated your method of fixing your premiums. I suppose as a fact you have fixed them by looking at the other companies' manuals? A.—No, we did not take any other company's manual into consideration at all.

Q.—At first you did? A.—Yes, at first.

Q.—You took other manuals and fixed a price you thought would be taking? A.—No, we didn't do that, we took the other manuals as something to compare with, but we made our tables from the Hm. tables, the net tables, and then added on our loading.

Q.—How did you add your loading? A.—A part percentage and part given as a stated sum; 20 per cent. plus \$2.

Q.—On what policies? A.—On life plans, endowments with profits and so on.

Q.—When did you change your method of loading? A.—This year.

Q.—Why? A.—Because I think the loading is too high.

Q.—Your premiums too high? A.—The old premiums were too high, I don't think they were fair to the man that is insuring.

Q.—Did you get them lower than the ordinary companies? A.—Yes.

Q.—How much lower? A.—It depends on the age. For example, you take a man at 20, the net rate for a life plan is \$13.30. To that you would add 20 per cent. plus \$3, giving you \$18.96, or in round figures, \$19. That is the uniform premium. You have a loading there of the difference between \$13.30 and \$19 at 20. Then a man at 50 where the net premium is so much higher, the loading is correspondingly higher for the older age. I don't think that is fair. I think a young man should pay as much to the expense element as the old man so I changed it to that system. We add \$5 to the net rates.

Q.—That is to say you take the net premium and add \$5 to that for all ages? A.—For all ages, for all expenses, for with profit policies.

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Q.—I suppose insurance to the old man is a more expensive thing than insurance to a young man? A.—I don't know that it is. I think the older the risk, that is up to say 50 years of age, it is better than the younger one.

Q.—But it is a more expensive article? A.—Yes, but he stays in with his policy.

Q.—But a merchant would sell his diamonds at a higher price than he would sugar? A.—That is quite true, but the net rate provides for that.

Q.—Do you think it would be just as proper for a merchant to say, I will add on \$5 to every article in this store I sell to cover my expenses, do you think that is the proper way to do it? A.—I think so.

Q.—Do you think it would be proper business for a man having goods of different values ranging from 10 cents to \$1,000 to say, now I may sell 10,000 articles in a year and I will add a dollar to the price of each one; that will give me \$10,000 to cover my expenses and profit; is that a sensible way for a man to put expense money on, to add the same amount to the cheap ones as well as to the dear? A.—But the net premiums provide for the carrying of the risk and all we have to take into account is the loading for expenses and if we are satisfied as a company to carry a man at 40 for the same amount as at 20 as far as expenses are concerned, I think we have a perfect right to do that.

Q.—Your tables serve to favor as compared with other companies—

A.—The older men, because we don't charge him so much for expenses.

Q.—Then that is, is it fair to say, the object of your new tables, to appeal to a certain class? A.—No, I think it appeals to all.

Q.—It does not to the young man? A.—Yes, we are below the rates at the younger age.

Q.—And much more below them as they get older? A.—Yes.

Q.—Then the proportion in your company is unfair to the young man? A.—As against other companies, but not as against the tables.

Q.—That change in the table is, I suppose, the result of the strenuous competition to get business? A.—Partly; largely so.

Q.—You have adopted a different method of loading your policies from the ordinary companies? A.—Yes.

Central Life Ins. Co.

(John M. Spence, Ex'd.)

Q.—Instead of adding a percentage to the premium you add on a constant quantity, \$5 every time? A.—That is right, and by reason of that we get a cheaper rate for the older men.

Q.—And as compared with other companies you are charging that to the young man? A.—Yes, but then we don't charge the young man any more than the other companies do.

Q.—By comparison you do? A.—On the percentage basis we would,

Q.—You have policies also for \$250 and for \$500? A.—Yes.

Q.—Would your loading on those be in the same proportion as a policy for \$1,000 or \$2,000? A.—Just the same.

Q.—That is not usual? A.—I don't know that it is. With us it is.

Q.—What is the usual way? A.—I don't know that the other companies do anything with any policies less than \$1,000.

Q.—If they do, do they not add on about 25 per cent.? A.—Industrial companies do, but not the older, not the Government line companies, the level premium companies.

Q.—I have been informed that almost all companies do that by reason of the large amount of work in collecting the small premiums? A.—Well, that is not true, for this reason. You take in all the ordinary level premium companies and they give the rate per thousand, if you ask for a \$500 policy they will divide the rate in two, so that the loading is not any heavier for a \$500 policy than it would be for \$1,000 as to the amount.

Q.—You have applied the same principle down as low as the \$250 policy? A.—Yes, it is proportionate with the \$1,000 policy all the way through.

Q.—Take lapsed policies, you say there were 114 policies lapsed in the first year, amounting to \$454.90 amount received in premiums. Policies one year in existence 105 lapsed; policies two years in existence, 15 lapsed; three years in existence 11 lapsed; and four years "policy reduced." What does that mean? A.—Reduced to a smaller amount.

Q.—Five of them. That shows the large percentage lapse in the first year? A.—Yes, first and second year. The first is the worst.

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Q.—Is that due to rushing in business at the end of the year? A.—No.

Q.—Is it not the fact that most of your policies that lapse are policies written in November and December? A.—No, these policies are on the books at the end of the year, always, because they are covered by the note, if the premium has not been paid in cash. They lapse in the next year if the note has not been paid.

Q.—Still a large number lapse in the second year, 105 by comparison with 114 in the first year? A.—Yes.

Q.—Does not that indicate a very strong effort to get business at the end of the year? A.—Well, I don't know that it does. Our business is perhaps smaller in December than in other months.

Q.—Do you offer bonuses to agents to get business in? A.—None whatever.

Q.—I suppose you have not done much of that because you have felt the necessity of going slowly, having regard to your financial position? A.—Yes.

MR. GEARY: I have no questions, your honor.

MR. TILLEY: I would ask your honors to adjourn to Waterloo tomorrow at 12 o'clock and I think probably it would be well that no definite date be fixed for Toronto at present. We might be at Hamilton on Monday.

(At 4.45 p.m. Tuesday, 10th July, adjourned to 12 noon on Wednesday, 11th July, 1906, at Waterloo.)

#### FIFTY-THIRD DAY. MORNING SESSION.

Waterloo, Wednesday, July 11th, 1906.

MR. TILLEY: I propose to take up the Dominion Life Insurance Company first.

#### DOMINION LIFE INSURANCE COMPANY.

THOMAS HILLIARD, sworn, examined by

MR. TILLEY: Q.—You are the Manager, and I believe you are also the President of the Dominion Life Insurance Company? A.—Yes; I have been President since April of last year, and Manager from the beginning.

Q.—You were the first Manager of the Company? A.—Yes.

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Q.—Were you the promoter of the Company? A.—Yes, I think I might call myself such. I obtained the greater part of the stock that was subscribed. Of course in a case of this kind there are other people interested and helping, but I was the promoter.

Q.—You were the person to suggest the formation of the Company possibly? A.—I am not quite sure of that. The first suggestion arose amongst a group of four or five persons who talked accidentally about the matter, and a suggestion arose out of it, I could not say who was the originator.

Q.—Did these persons all become Provisional Directors in it? A.—Most of them did.

Q.—What was your occupation before the formation of the Dominion Life Insurance Company? A.—Immediately before I had been in the Agency Department of the Temperance & General Life.

Q.—What work were you doing there, the ordinary agent's work? A.—They called me Inspector, it is really a special and general agency and a kind of superintendency without that title; I was appointing agents and helping them.

Q.—How long had you been in that position? A.—Somewhat more than a year, a year and not quite a half.

Q.—Prior to that what work were you engaged in? A.—I was publisher of the Waterloo Chronicle.

Q.—Had you had any other insurance experience than you say in the Temperance & General? A.—No, except this perhaps that as I did a good deal of printing for the Mutual Life of Canada, then the Ontario Mutual, and was well acquainted with the Manager, I used as a matter of curiosity to do a good deal of calculating, and in some degree got familiar with actuarial work without really intending to make it my business as a matter of interest.

Q.—I understand you never had any experience in the Head Office of an Insurance Company? A.—No, I have none.

Q.—Nor any actuarial experience except the work you did of the kind you have mentioned? A.—As soon as I associated myself with the Temperance & General in the field I procured some actuarial books and began to study.

Q.—What position did you assume in the Dominion Life when it was



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incorporated? A.—That of Managing Director.

Q.—Did the Dominion Life employ any actuary when it was first incorporated? A.—No, none but myself.

Q.—You commenced doing the actuarial work? A.—I took the responsibility of that from the beginning.

Q.—Have you continued to do such actuarial work as has been required in the company since? A.—Yes, I may say in the sense of being responsible, I have gradually of course as one might naturally suppose, in the pressure of other duties, parted with the detail of these duties to others trained in the office, and had the direction of it.

Q.—That is to say you have developed an office staff in the years the company has been carrying on business? A.—Yes.

Q.—What is the extent of that staff at the present time? A.—The whole staff or the office?

Q.—No, the actuarial staff? A.—Well, there are three persons who do more or less actuarial work.

Q.—None of them, I suppose, persons who have passed any examinations? A.—Yes sir, one, Mr. Hall has a degree.

Q.—What degree? A.—Associate of the Institute of Actuaries.

Q.—So that he is in progress through the actuarial studies? A.—Yes.

Q.—To what extent did you find yourself handicapped in carrying on the business in the early years, if at all, in the actuarial branch? A.—Did not find any special difficulty.

Q.—How would you fix your rates at that time? A.—I did it by a calculation and by the examination of other companies' rates as a test and check upon my own work.

Q.—I suppose it would be fair to say the rates would be fixed more to meet the rates of other companies than by any mathematical calculations of your own? A.—Both, I made all the calculations from the very bottom up; including the commutation columns which I suppose you know are the modes by which you classify, and then I tested that by the examination of the rates of other companies, perhaps ten or twelve of them, those with which we were in competition, so that both influences were regarded, necessarily so.

Q.—Did you as a result get higher rates for any policies or plans or ages than other companies? A.—I have not caught the point.

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Q.—If you worked it out according to your own calculation did that bring you to a point where you had higher rates than the other companies that were then carrying on business? A.—The rates we adopted were about the same as—

Q.—Did you have them higher in any case, or were not they a little lower all the way through? A.—Some cases they were a little lower and some cases a little higher.

Q.—There were some cases they were higher? A.—I think so, I speak now from memory; I would rather make the comparison before I would swear to the last being accurate.

Q.—Did you at the time of the incorporation of the company discuss the best mode of obtaining corporate existence for a life insurance company whether by letters patent or under the Ontario Act, for instance, or by private Act of incorporation—was that discussed at the time? A.—Amongst the promoters?

Q.—Yes? A.—It must have been, I have no particular recollection of it more than that I advised the procuring of a Dominion Act of Incorporation and coming out as a Dominion Company at once, and they agreed with that; I don't remember that there was much discussion about it.

Q.—That would carry your judgment to-day, I suppose? A.—Yes.

Q.—Why would you say that that was the better mode of obtaining corporate existence, because we have had some companies in recent years that commence by taking letters patent? A.—It appears to me that does not give a company standing along with the same class of companies that hold their corporate existence by Act of the Dominion Parliament, not regarded by the public as favorable.

Q.—Not regarded by the public as so substantial? A.—No, I think not; you can get letters patent, or perhaps I should put it this way—I am not sure about letters patent—we can get incorporation by the Act of the Ontario Legislature and put up a small capital and a small deposit, thus begin in a small Provincial way, but that does not give the same standing in the public mind as the Dominion License with its heavier requirements.

Q.—It is a matter of the view that the public take of the company that permits you to give that reason? A.—That is one reason. The other side of it is if you want the confidence of the public you must deserve it, and

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put up sufficient security to deserve it.

Q.—Put up sufficient security as you are required to do under the Dominion Act? A.—Yes, and not required under the other.

Q.—The same security is not required under the Ontario Act? A.—No.

Q.—As a matter of practical management of the company's affairs have you ever considered the advantage or disadvantage from the different modes of incorporating? A.—I do not know that I have given that point any special consideration; it did not seem to be practical, it seemed to be answered in the other.

Q.—In the latitude that is allowed in the management and the conduct of the business is there anything that appears to you by one mode that is not so favorable in the other mode? A.—I have [not given that subject sufficient consideration to give an answer of value.

Q.—In the case of your company you carried it through in the only way that seemed to have been thought of at the time, that is by a Dominion Act? A.—It seemed to be the best way.

Q.—Did you draft the Act? A.—Yes, I drafted the Act and submitted it to our solicitor.

Q.—Did you have before you some other Acts? A.—Yes.

Q.—Do you remember what particular Acts of Incorporation you considered at the time? A.—It is a good while ago, about 18 years ago, I am not sure I can tell; I think I had the Manufacturers' Act before me, I believe I had the Act of our neighbors the Mutual Life, which of course did not apply in every respect, I believe I had the Act of Incorporation of the Temperance & General, but I am not quite sure about that; I know about the other two.

Q.—Were there any amendments made to the Act after you had drafted it? A.—Nothing of any consequence; a word or two was suggested by Mr. Fitzgerald I think, and a word or two—I don't remember what the point was, I think it was rather verbiage than anything else, by Mr. Hartney, a clerk of Private Bills at the House, but no material change.

Q.—No question was raised between you and the Department about wanting some privileges the Department thought you should not have? A.—No question discussed in that way that I can recall, except perhaps one Mr.

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Fitzgerald suggested, that it might be wiser to make our paid-up capital \$100,000 at once instead of \$62,500, which was fixed in the Act as drafted, and we talked over that a little while, but he finally agreed to accept the Bill as it was, but this is perhaps too soon—

Q.—No; was there anything else that was discussed besides that then? A.—I think not.

Q.—Mr. Fitzgerald's only idea there I suppose was a matter of expediency? A.—A matter of stability, and the fact that the Manufacturers' Life had been incorporated two or three years before, and they had required \$100,000 paid up there, and he said it might be difficult to get the Banking & Commerce Committee to agree to an Act with a smaller capital than they had asked of the others; that I think was the point, but they did pass it through.

Q.—Without the question being raised? A.—I do not say about that; without its being used to block the Bill at all events.

Q.—You obtained an Act in the year 1889? A.—Yes sir.

Q.—The persons who became incorporated were for the most part residents of Waterloo, or in the vicinity of Waterloo, local people? A.—Yes, I think you have the names there, about half of them I suppose—

Q.—Of Waterloo; some one I notice in Listowel, and so on; so that your idea at that time from this appeared to be to organize a company which would have a strong local influence here? A.—Yes sir; the local men had started, they had backed me in the matter, and necessarily desired to hold fairly strong local influence.

Q.—Were you considering at that time the ease with which you might get subscriptions for stock here in this neighborhood, or was it because you thought it was the better place to make the head office of the Company in the conduct of the business? A.—Both; we thought that there were some advantages from the standpoint of the general interest of the company in being located in a comparatively small town, especially in the early years of the company when expenses are a very serious matter. We recognize of course that there are advantages in favor of a city location too.

Q.—But there are some advantages in being in a small town? A.—There is a balancing above in the direction of economy in favor of the country town.

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Q.—You have had no reason to change your mind as to the wisdom of that step? A.—No, it has not been changed at all events.

Q.—Your mind has not been changed, or the Head Office, which? A.—Neither.

Q.—Had you when you got the Act of Incorporation obtained at that time subscriptions for stock? A.—Some of them were obtained in a provisional sense; we had to go over the field again and get them to subscribe in reality and formally and legally after we had a legal being.

Q.—After they had an actual entity they agreed to take stock in it.

Q.—The second section of the Act gives you power to carry on the business of life insurance in all its branches; and the third section provides that the capital shall be one million dollars divided into shares of \$100 each; the stock has never been increased, has it? A.—That is the authorized stock, no.

Q.—In fact you have never gone back to the Legislature to get any amendment of this Act? A.—No sir, we reached perfection at a bound in that respect.

Q.—Section 4 provides (reads). Had you appointed any persons to be trustees of the money you were receiving on the stock? A.—No.

Q.—There were no payments until you were able to pay it into the company? A.—It was paid in the first place to a chartered bank. I think—I am speaking now from a somewhat vague memory—I think a resolution of the Provincial Board provided for that; it was paid in to the credit of the company into the Molson's Bank, which was then the only chartered bank in this town, and held there until the company could be legally organized to take charge of the same.

Q.—Did you obtain the majority of the subscriptions personally? A.—Yes, a very considerable majority of them.

Q.—Did any person else try to get subscriptions as a paid agent of the company? A.—No. Those associated with me of course spoke to their friends, in that way made it easier, and through their influence a good deal of the stock was obtained, in fact when six or seven of us agreed to start the organization we put down preliminary subscriptions of some \$60,000, or one-quarter of the whole, one-quarter of what was re-

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quired practically was put down around the table on the spot.

Q.—How much? A.—I am not giving it as evidence.

Q.—I think I would rather have it as evidence? A.—I meant it to be an interjectory remark.

Q.—That is to say the persons who were forming the company subscribed for a certain amount of the stock themselves? A.—Yes sir.

Q.—How much do you say? A.—My recollection is that they met together, started with \$50,000 subscribed on the spot by the men present, some six or seven in number.

Q.—Did they continue to hold that stock? A.—With one exception I believe they did.

Q.—It was not a subscription made just for the purpose of having something entered up in the book? A.—No, it was genuine.

Q.—It was a genuine real subscription for stock? A.—Yes, it was intended by each man, and certain circumstances rendered it inadvisable for one of them to go on.

Q.—Were you paid a commission on that stock you got subscribed? A.—No sir.

Q.—Were you paid anything for your services in organizing the company? A.—When the company had been organized and we opened up for business an allowance of \$800 was made to me in addition to the actual travelling expenses which had been passed from time to time by the provisional committee.

Q.—Taken out of the fund? A.—That is the preliminary expense account which you will see \$800 was the allowance made for my labors for the year that was spent in getting the stock and getting the company put in working order.

Q.—Other than that sum of \$800 was anything paid to you except your actual out-of-pocket expenses? A.—No sir, not a dollar.

Q.—Was anything paid to the other Provisional Directors in connection with the incorporation of the company? A.—Nothing whatever.

Q.—No consideration for them becoming shareholders or directors? A.—None whatever, no consideration whatever. Probably somebody might have got his little fare to Toronto on some trip of business; that of course is not intended by your question?

Q.—No? A.—There was not a dollar paid anyone in the way I understand your question to signify.



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Q.—Nothing paid for his services?  
A.—None whatever.

Q.—Did you have any agreement with parties who were subscribing as to any future position in the company? A.—An understanding simply that if this company was brought into being I was to be the First Managing Director.

Q.—Was there any understanding with any persons as to what positions they would occupy in the company? A.—Yes, at some stage Mr. Trow, it was understood was to become President.

Q.—He was a member of Parliament? A.—Yes sir.

Q.—Did he become President? A.—Yes.

Q.—Was any salary attached to the position of President at that time? A.—No sir.

Q.—During his time was there any? A.—I am not quite certain whether he received \$100 the last year of his Presidency or not; I am not quite sure; it was a trifling amount at all events.

Q.—There was no agreement with him then as to salary he was to receive as soon as the company was formed? A.—No sir.

Q.—Any other persons here? A.—No agreement with anybody about remuneration; I had none myself. I was dealing with gentlemen who would be fair and reasonable, and I trusted to their honor.

Q.—No agreement made by you regarding your compensation at that time? A.—No.

Q.—Nor the term of your engagement? A.—No.

Q.—For how long were you engaged? A.—I suppose I am engaged by the day.

Q.—There is no contract? A.—No contract whatever; I have not any yet. I am elected at the annual meeting, or in connection therewith, by the Board, and the remuneration is fixed by resolution from year to year. I am not sure as a matter of law whether I had a yearly contract or not. I have no contract of any kind indeed; I think I could be dismissed if they wished.

Q.—The fifth section provides (reads). Did you get the \$250,000 before you called the meeting? A.—Yes sir, something over.

Q.—Did you have 25 per cent. of the amount paid into some bank? A.—Yes.

Q.—Was it paid by the shareholders themselves? A.—Yes sir, in actual

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cash to the amount, if my memory serves me rightly, of \$63,100 or \$63,200, so that it was over the 25 per cent., that is to say we complied with every condition of that Act.

Q.—The shareholders by this section are entitled to vote in person or to vote by proxy? A.—Yes sir.

Q.—That provision still remains with your company of course? A.—Yes.

Q.—And the directors must have 20 shares of stock to qualify? A.—Yes.

Q.—So that you have no provision in your company for policyholders having a director on the Board? A.—No.

Q.—A person qualifying merely as a policyholder would not be eligible? A.—No, he would not be eligible unless he held 20 shares of the stock.

Q.—You have no provision in your charter for giving the policyholders a vote? A.—No.

Q.—Was that considered at the time you drew the Act? A.—Yes, I suppose it was considered; I don't know that there was any debate upon it, but like everything else it received consideration and was settled in the way you have observed.

Q.—Had you any ideas on that subject? A.—Yes, I have some ideas on that subject.

Q.—Had you then? A.—Yes.

Q.—And those ideas are the same as you now have? A.—Yes, my experience has not changed them at all.

Q.—What ideas had you in regard to that? A.—I considered that the giving of policyholders' vote might be a very good appeal to the gallery, but could not go much further.

Q.—Why not? A.—Because the policyholders as a body cannot possibly control the affairs of the company for several reasons, one of which is they are scattered over the entire earth. We receive, even a small and comparatively young company, we receive premiums from every quarter of the world through the removal of our policyholders largely, not that we are doing business outside of Canada, but, for example—this is only a coincidence—one day I received a premium from Japan, one from the heart of China, and one from Mow, in the very interior of India. The same mail, the same day, brought those three premiums, and it just shows you how people scatter. Of course that may never occur again. Because they are scattered they cannot com-

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bine and consult together so as to exert a real control over the company. If that be true, this giving them apparent control is only playing with them it seems to me. I am speaking now of a stock company, not a purely mutual company. We are not discussing that now at all. We are speaking of the effect of giving in a stock company policyholders an apparent consideration which cannot be genuine, and I prefer not to play to the gallery, and not to humbug people; I think we should give it straight and fair.

Q.—The public stand a certain amount of humbugging? A.—I suppose they do.

Q.—No insurance company could get along without a little humbugging? A.—We are trying to do without it.

Q.—As far as you can? A.—Yes, as far as we can.

Q.—Using it just for a necessary? A.—No, I do not admit that.

Q.—The right to vote, I suppose, determines the right of policyholders to attend a meeting? A.—It would.

Q.—And be heard at the meeting? A.—Yes.

Q.—To express his views if he has any? A.—Yes.

Q.—If he has no right to vote he would be ruled out of order in attending the meeting at all—it becomes a meeting of shareholders and not a meeting of shareholders and policyholders? A.—Yes, it is a meeting of shareholders, that is really what it is.

Q.—And you suggest this, that there is nothing but playing to the gallery in giving persons who have policies of insurance with interest in the profits of the company, who are concerned in the management of it, a right to come to a meeting and hear what is being done and express their views and vote in so far as they are able to vote—do you think that is humbugging the public? A.—If the policyholders were all within a convenient distance of the office and could attend there would be a great deal more argument; but the great body are out of reach and it would be impossible for them to attend.

Q.—Why keep away those that are near the office? A.—As a matter of fact we would not, but you are speaking of rights now and so am I.

Q.—I think we ought to deal with the rights, because what you would do in a hypothetical case is not much

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use. What objection would there be to that—there would be no element of nonsense? A.—There would be no objection made in practice, but as you are confining the question to rights, they have not under our constitution any such right.

Q.—And probably they would be only giving it as a matter of courtesy so long as criticisms did not affect the management, is not that right? A.—I don't know, the case has never arisen.

Q.—You can hardly imagine a Board of Directors or a Manager of a company who are able to control the situation permitting a policyholder to come to an annual meeting of the company and raise some complaint about the management which will be spread broadcast—you cannot imagine that, can you? A.—Yes, I can.

Q.—Then if he has no right to be there you think they would allow him that courtesy? A.—I think so, I think we would be very glad to, and very glad to answer his objections and disabuse his mind of any misunderstanding he might have. It would be good policy to do that. We would look at it from that point of view.

Q.—That sort of man is usually regarded by the management as a crank, is not he? A.—He may be, or he may be mistaken over something.

Q.—But he is always treated as a person who has mistaken views who cannot be very well set right? A.—Even a crank should be treated with courtesy, and the more the better.

Q.—But is not that the way that a person who believes he has a grievance against the Management, and feels that the Management is not right, is not that the way he would be apt to be treated, regarded as a person who is trying to make a stampede on the company? A.—I can only answer for myself; if the man was at all reasonable we would endeavor to meet him in the most courteous way possible.

Q.—But you would be the one to decide whether he was reasonable or not? A.—Yes, we would have; there has to be a power to decide somewhere.

Q.—You know, do you not, that many companies regard it as an opportunity, I think they describe it,

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to stampede a company, to have policyholders with a right to vote? A.—I am not sure that that consideration has been brought before me so strongly, the fact that there are mutual companies that have no stockholding interest whatever, and that the policyholders themselves have still, nominally at least, a control there would shut off that argument at once.

Q.—Is not that an argument that is made, have you not heard Managers of stock companies say that, that they would never allow policyholders to vote in their companies, they only cause disturbance? A.—I have not heard it. Possibly you may have met with it in this Investigation. I have not observed that.

Q.—We have met with almost every view on that subject; as a matter of fact is there any good reason why the policyholder should not be able to assert his view in your mind? A.—I don't know of any good reason why he should not be able to assert his view.

Q.—And is not the annual meeting the proper place for him to go and do it? A.—I think that the difficulty of giving him any real control still remains; policyholders as a rule may not get, but a clique may.

Q.—You say they cannot exercise much control by reason of being scattered, is not that all the more reason for giving them some voting power, which is the means by which a man expresses his view? A.—How can you make that voting power effective in any ordinary way? I do not see how.

Q.—You put in two question—A.—To improve the management if there be anything wrong what can the scattered policyholders say?

Q.—They can come to a meeting and discuss openly? A.—They cannot come from the ends of the earth to the meeting, only a few at the most.

Q.—A few could be heard, you would not want them all in any case? A.—The voting power if it could be exercised by all, that would take them all in.

Q.—It does not depend entirely on the voting power, it depends on the right to come there and publicly state what a person has to say regarding the company's management in which he is interested; if he has that right it might serve to exercise a wholesome influence, might it not, on the

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Management? A.—I don't see how it could be made useful.

Q.—Did you ever consider having policyholders vote by mail? A.—I did not, because of the same reason as before, that combined action by the whole body seems impracticable, and voting by mail would be very expensive, and result in no useful effect that I can conceive of. It involves a good deal of machinery and a good deal of cost.

Q.—If a proposition were made to give policyholders a vote in your company would you object to it? A.—I think it would be useless or worse, because it would be expensive.

Q.—Now then, the answer to the question? A.—Put it again, I thought I was answering it.

Q.—Would you object to it? A.—Yes, I would object to it on that ground.

Q.—Would you take that stand and defeat it so far as possible? A.—I don't know how much effort I would put in to defeat it, but my judgment is not in favor of it; that is the best answer I can give.

Q.—Have you ever had any experience of voting by proxy amongst policyholders? A.—No.

Q.—It is said that is sometimes used injuriously to a company, do you know whether that is so? A.—I have no experience along that line; this is a company not giving that vote, and we have not experience, and it would not be fair to theorize about other people.

Q.—Section 6 provides (reads). Was that section observed literally as to payment in, and each shareholder paying in his ten per cent. and so on? A.—25 per cent.

Q.—But the section says, must be ten per cent. at least by each shareholder; from what you said before that would be so. You said all shareholders paid it in, and it was paid in in cash up to sixty thousand? A.—Up to the required amount. There were a few shareholders that did not pay on time, and there were a few others that did not pay at all who had subscribed, but the amount required by the Act was literally complied with in the gross sum, and a little over.

Q.—What importance did you attach to this provision in the Act at the end: "Provided further that the amount so paid in by any shareholder shall not be less than ten per cent. upon the amount subscribed by such



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shareholder"? A.—Speaking from memory, I think no one who did pay at all paid less than ten per cent.

Q.—Supposing he did not pay at all would that proviso be complied with? A.—Those shareholders who did not pay at all—there were four or five of them I think in all—were relieved, and their stock subscription was cancelled by a by-law perhaps about two years after the organization of the company. We had given them sufficient time. We have not sued anybody on his shares; we simply let them go; we had enough without them.

Q.—Without those you still had the necessary amount subscribed? A.—Yes, we complied with the Act in getting the amount.

Q.—And there were no discounting of notes in order to have that appear to be paid in cash? A.—No, we did not discount a note. The payments were actually in cash as there stated, and I don't know of any language to say it more clearly, they were actual payments in cash by each individual as shown in the blue book.

Q.—Then it says: "The number of directors shall not be less than nine," etc. (Reads to the word "quorum.") Do you know why insurance companies have to limit the number of directors instead of having an exact number as other corporations do? It says not less than nine nor more than twenty-one; why was that large variation in the number of the directors? A.—It has been found convenient in practice. In the first place in starting a company, as human nature is, some of the larger shareholders expect to have places on the Board; in fact it is held out to them as an inducement. Speaking from memory, and subject to being perhaps one astray, I think we started with 18; the return made to you would show that. The 21 was fixed at a tolerably high limit so that we might admit everybody we desired to admit. It was partly in order to make it possible to get the stock, and to get the stock subscribed at certain points where we would like to have local influence; that can be easily understood.

Q.—It is a provision that is there—A.—In order to facilitate the starting of the institution.

Q.—To get the stock subscribed originally? A.—Yes.

Q.—And I suppose to be able to get on the Board persons with substantial

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local influence? A.—Yes, a man of means whose name and standing in the community would carry weight and lend respectability and strength to the company.

Q.—It is not required in any way that you know of for the purpose of the proper management of the company? A.—No.

Q.—It is a species of means to extend the business and get the stock subscribed by advertising the name of this person as a director? A.—Yes, as far as the management is concerned it is no secret if I say bluntly the Board of Directors are not the Management; it hires a man to do that, and it keeps control of him and sees he does it, within certain limits, the right thing. The Board cannot manage in detail.

Q.—How many directors have you at the present time? A.—Thirteen.

Q.—And five is still a quorum? A.—Yes.

Q.—How many directors do you usually have at your meetings? A.—Generally I think all, unless some accident detains somebody; as a rule we have a full attendance.

Q.—You must give fair fees, do you for directors—did you increase it to 14 last meeting? A.—We added one last meeting, yes; most of the changes have taken place by reason of that—

MR. GEARY: I see in the by-laws that it be increased to 14? A.—Then allow me to correct that answer, it should be 14; it was 13 until the last meeting.

Q.—Are these people all local people? A.—No.

Q.—You must give them fair fees for attendance? A.—I do not know, I am not judge of that.

Q.—What do you allow? A.—May I go back?

Q.—Yes? A.—There was a time when they did not get any, the first meeting of all worked cheap, and then they got \$3 for attendance plus actual travelling expenses; then it was raised to five some years later, and afterwards to ten and it now stands at \$15.

Q.—So that it has gone from nothing up to fifteen? A.—Yes.

Q.—Then besides the \$15 do you pay actual travelling expenses? A.—Yes, we pay a mileage of ten cents a mile one way, that is supposed to cover the hotel bill as well as mileage; no other allowance but the mileage and the fee.

Q.—That shows progress in that direction? A.—In the right direction.

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Q.—In that direction? A.—You asked me a moment ago about locality, I have the list before me just now.

Q.—Will you just read them? A.—Thomas Hilliard, President—I will give you the Waterloo Directors first.

Q.—No, never mind? A.—Vice-President, P. H. Sims, of Toronto, S. B. Bricker, Waterloo; Hon. James McMullen, Mt. Forest. The other directors are: David Bean, Waterloo, W. Vandusen, Toronto; Walter Wells of Waterloo; the next one Mr. Colquhoun of Berlin is dead—I think that changes my answer back again to the 13. Then Thomas Gowdy of Guelph; Hon. S. Merner, Berlin; George D. Forbes, Hespeler, W. T. Parke, M.D., Woodstock, Thomas Trow, Stratford, A. J. Andrews, Winnipeg.

Q.—Does Mr. Andrews get ten cents a mile for all Board meetings? A.—Yes, he comes once a year; there is an understanding with him about that, that he won't come too often.

Q.—Is he connected with the company in any way than as a Director? A.—Yes, he has been connected in this way, that he has conducted the loaning business for us in Winnipeg with great acceptance for some years, and the Board were so well pleased that as an acknowledgment of his services and in order to have an opportunity of meeting him at least once a year and conferring with him we elected him to the Board; that is the whole of that.

Q.—You felt it of advantage to have him on the Board? A.—Yes, of great advantage we thought.

Q.—How often does the Board meet? A.—Five meetings in the year, one of them being in connection with the annual meeting, one before and one after, in order to save travelling expenses.

Q.—Section 8 provides. (Reads: Of course that is complied with? A.—Yes.

Q.—Section 9 provides that the head office shall be at Waterloo, but you may have sub-Boards and Agencies and Branches; have you any sub-Boards? A.—No sir.

Q.—Or any branch offices other than your agents? A. No, except you mean the office occupied by an agent.

Q.—I was excepting that? A.—No.

Q.—Section 10 governs the investment of funds. Your section in the Act is not as broad then as the Dominion Act, section 50? A.—No, the Insurance Act broadens that somewhat.

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Q.—Then you are governed by section 50 you consider? A.—Yes.

Q.—That that extends the powers of any company with smaller powers, and does not restrict any with broader powers? A.—So we understand it.

Q.—I notice that your company was one of the companies that approved of the application to broaden the powers of investment? A.—Yes.

Q.—Was that a matter that carried your judgment at the time? A.—Yes.

Q.—Did you not consider that this section ten in your own Act was sufficient for your own purposes? A.—For our own purposes it was, but looking at it from the point of view from the general interest of companies as a whole and not from a mere selfish or immediate standpoint I agreed with the movement to broaden the powers of investment.

Q.—Why did you take a different view of the position of other companies from your own position in that regard? A.—Because we do not need that at present having only a little over a million of assets to deal with, and we can do very well with the powers we have, but if we had ten or fifteen or thirty millions of assets to deal with I cannot do as well with them as I can with this million, and I would feel the necessity of it then. Now, then, put yourself in the other man's place and I think the Legislation should regard not only my affairs but the business as a whole.

Q.—Take the larger companies as well as the smaller? A.—Yes.

Q.—And I suppose you would have to some extent in your mind that at some time you would be a larger company? A.—Yes, or somebody succeeding us.

Q.—I mean the company itself being a larger company? A.—Yes, in short I agree rather with the British than the American view; I think the Legislation should not be made too grandmotherly; you cannot get behind after all this fact that upon the judgment and the character of the men who manage the companies you depend in the end, no amount of legislation can tether you so as to make you better than you are, but it may make you better or worse. Broadly the British view of wide powers of investment combined with the utmost publicity is in my view the better course.

Q.—What do you mean to convey by the expression "utmost publicity"? A.—Possibly that is an unguarded expression, but I mean by it very full

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publicity, the concealment of nothing which is material in forming a judgment of the company.

Q.—Where? A.—In the publication of the accounts.

Q.—Do you mean they should be published as they are now, or do you think there should be any full publication? A.—Somewhat full I think.

Q.—In what way? A.—I would require some little time to specify distinctly the various items.

Q.—Do you think it should be confined as it is now to the sending in of an annual return to the Government, is that sufficient, showing the condition as it exists on one day in the year? A.—I think that is sufficient, subject as it is now of course to the supervision of the Department, the verification perhaps I ought to say.

Q.—I thought you might possibly mean instead of giving information as to the 31st December of each year that you would give a statement of all movements in securities during the year? A.—There would be no objection to that I suppose.

Q.—Would there be any advantage in it? A.—None, except it might be a check on any attempt at, if I may use the term, deception or covering up of things that the company might not desire to show.

Q.—You would not think it would be altogether an evil to attempt to do something to prevent a little deception? A.—No, it would not be an evil at all, but of course regard must be had to keeping it within reasonable bounds so as not to add great expense or labour unnecessarily. I think the present form of return might be usefully modified, and I have no doubt the Superintendent is of the same opinion, from conversations we have had.

Q.—You think from your discussion of the matter he takes the same view as you do on that? A.—I think he does on that point.

Q.—Have you ever made any investment that did not come within section 10 of your own Act, or Section 50 of the Insurance Act since it has been in force? A.—I think we did on one occasion, that is to say we have learned that we did; we supposed we were within the limits. I give the item at once. Sao Paulo bonds. We have been informed, not officially but indirectly, that the Department of Justice has ruled that that was outside the privileges of the Act, and we have since sold the bonds, not from any doubt as to their value.

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We were very sorry to sell them, but in order to comply literally with the ruling of the Department we sold them.

Q.—And at the usual small profit? A.—Yes. We would liked to have kept them though rather than sell them. That is the only instance I think.

Q.—As to the Sao Paulo bonds you regard it as a debatable question? A.—Legally I suppose it is; we did not have any doubt at the time, we believed that when the Act says, Companies incorporated in Canada, that this company being incorporated in Canada was strictly within the limits. I think any lawyer would say we had ground for holding that view.

Q.—It would just depend— A.—On what is debatable apparently, and the Department held the other way, and we submitted to that.

Q.—Tell me the amount of the Sao Paulo bonds? A.—\$10,000.

Q.—In what year was it, do you remember? A.—I am not sure. I think it might be 1903.

JUDGE MacTAVISH: They appear in the blue book in your return of 1903? A.—That will be right.

MR. TILLEY: They continued to be assets in your hands until this last year? A.—Until a few days ago.

Q.—How long ago? A.—I think it was last week. We have been really offering them for sale for a couple of months to get terms that suited us exactly; finally we sold.

Q.—I suppose it is a bond that is listed? A.—Yes, Sao Paulo bonds.

Q.—It is just a matter of getting the market price? A.—Yes, we were trying to get a better price. The market did not look up, and so we let them go.

Q.—And the Commission was coming? A.—The Commission was coming; that did not make any difference though; if we had not got the price we would have simply told you we had them, but we were going to sell, because we had determined to do that last winter as soon as we heard of the decision; you would not have done anything else if you had been in our place.

Adjourned at 1 p.m. to 2 p.m.

#### AFTERNOON SESSION.

Resumed at 2 p.m., Wednesday, July 11th, 1906.

Q.—Then, Mr. Hilliard, we were speaking about the investment of



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funds before adjournment, but that subject of course is not completed. I was just dealing with it as it arose in connection with the Act. We will refer later to the way in which you have invested your funds. You say that the only transaction that could be considered to be unauthorized would be the Sao Paulo bonds, and that would be, according to the view taken of the wording of the Act? A.—Yes, sir; I recall no other at present that could be called in question.

Q.—Have you had any loans to directors or officers of the company?

A.—No loan has ever been made to any director. That includes myself, of course. I am a director as well as President. One of the officers, or rather clerks, in the office has borrowed on real estate.

Q.—How long ago? A.—No, that was on his policy; that does not apply at all; it was not real estate at all.

Q.—I suppose his position as a policyholder should not be any worse than that of an ordinary insurer in that regard? A.—No. I was confused for the moment, I should not have mentioned that.

Q.—He never had any loan except such as he was entitled to under his policy? A.—No, nothing else.

Q.—Has there been any loan to any officer or employee of the company? A.—I can recall none. One of the agents has a loan on real estate. One of our ordinary canvassing agents has a loan in the ordinary way on mortgage on real estate.

Q.—What agent is that? A.—The agent at Hamilton.

Q.—On Hamilton property? A.—Yes.

Q.—How much was loaned to him, roughly? A.—\$4,000 was loaned to him on Hamilton property and property he owned elsewhere. Part of that has been paid off. I think it is \$3,000 now on Hamilton property.

Q.—Was there a valuation made at the time the loan was given? A.—Yes.

Q.—By an independent valuator? A.—By myself.

Q.—And what proportion did you think you were loaning on that property? A.—Three-fourths of the price he paid in cash for it.

Q.—The loan was made at the time the purchase went through? A.—Yes.

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Q.—And you let him have 75 per cent. of the purchase money? A.—Yes.

Q.—The security is ample? A.—We think so. I think he got it cheap. He got a cash transaction, and for cash he got it, I believe, below the ordinary credit sale price. We considered it virtually as good as a two-thirds advance on ordinary terms of sale.

Q.—Up to what proportion do you usually loan? A.—It depends on the locality. Round our own section of country here we confine ourselves inside of two-thirds of the carefully estimated value.

Q.—Is two-thirds the rule you have laid down or 50 per cent.? A.—That is the maximum.

Q.—What do you aim at? A.—A little below that as a rule; that is the maximum. We try to make it 50 or 60, along there. Two-thirds at the outside. In the North West the maximum is 50 and we try to keep a little below. We do go as high as 50.

Q.—Then is it right to say that the agent of whom you speak got a larger loan than any outsider would get? A.—A little, I think.

Q.—And what rate of interest did he get? A.—The ordinary rate, 5½.

Q.—He got the same terms in that regard as any outsider would get? A.—Yes.

Q.—And you think now that payment has been made that the security is quite good? A.—I think so.

Q.—No danger of loss to the company? A.—Not the slightest. I think the property is worth more than it is valued at at the present time.

Q.—How long ago was that mortgage taken? A.—About three years. I am not sure of the month, I think just about three years ago.

Q.—Was it a transaction put through with reference to any other contract with him? A.—No, the only other consideration was that we were moving him from Cayuga to Hamilton, giving him a different agency. He had to sell his home in Cayuga and buy in Hamilton, and we assisted him in that way. There was that consideration that might be mentioned; there was no other that I know of.

Q.—Other than that, have you had any financial transactions of any kind between the company and any of its employees or officers? A.—I don't re-

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call any, sir. I cannot think of any just now. You mean by financial transactions loans or something of that nature?

Q.—I mean any sort of a financial transaction except payment of his wages, any assistance of any kind?

A.—I don't recall any case.

Q.—Have you made advances to agents? A.—We do not make advances to agents.

Q.—Have you never done it? A.—I would not like to say never, because there might be some petty thing that might come under that head, \$5 or \$10, for some trifling matter, but in the general way of that term I should say no.

Q.—Did you have any employee that you had to threaten to discharge unless he paid the amount due to the company? A.—Agents sometimes, some few of them have given a little trouble in getting final settlement. Nothing very serious, however. Nothing involving serious amounts.

Q.—In the ordinary accounting to the company you mean? A.—Yes.

Q.—There would be some delay? A.—Some little delay. I might call your attention to the agents' balances. They appear in the Statement. That will pretty nearly answer that side of the question; you will see that they are very small.

Q.—How much did they amount to at the last report? A.—\$747.67.

Q.—Is anything written off that item before it is brought to that amount? A.—Yes, there was a few dollars written off last year. Some of that has been collected since.

Q.—So that it will be less than \$700 now? A.—Yes, I think it will. One or two items have gone on and some have come off this. I think the agents' balances are \$100 or so less. If this is of importance I will send and get the exact figures.

Q.—No. Was this an agent of yours that is mentioned in the minutes? A.—Yes.

Q.—Was that a loan to him? A.—No, it was a balance due. He was slow in settling and he was still in our employ and we insisted on his settling.

Q.—That does not take it out of the answer you gave before that it would be an occasional necessity where your agent was not paying promptly? A.—Just so, and we were pressing to get him to pay up. I would rather that his name would not appear in the newspapers. He is

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in business in Ottawa and a reference in the papers might be unfair to him. It is all settled up. The note is that pressure was ordered to be made in order to get payment and it is unfair to have his name published.

Q.—It would not be unfair if the original transaction had been improper but you say it was money collected by him for the company? A.—Yes, and he was slow in remitting.

Q.—Nothing in the way of an advance by the company to him? A.—Oh, no.

Q.—And you decided to enforce payment and pressure was brought to bear and it was paid? A.—Yes.

Q.—I suppose that is not a solitary instance? A.—I may explain that he gave a mortgage on his property which has been since paid off, and in that way settled the amount.

Q.—That is the sort of transaction that every company must meet at times in its career? A.—I should be glad to meet the exception, if there be any, and find out how they escape it.

MR. LANGMUIR: Before you pass from the loans I would like to ask; there seems to be about \$300,000 of real estate loans? A.—Yes.

Q.—What amount of that is in Manitoba? And the North West? A.—We could give you the exact figures by sending over, but roughly half of it.

Q.—Have you an inspector there, a local inspector? A.—No.

Q.—Who does your inspecting? A.—Four or five different persons at different points. The larger part of these loans are in and near the city of Winnipeg and under the control of Mr. Andrews who was mentioned this morning as having been elected a member of the Board. He is a well known barrister there, a member of the firm of Andrews, Andrews & Co.

MR. TILLEY: I might as well mention that all at this point. Mr. Andrews is a member of the firm of Andrews & Andrews, solicitors, practising there? A.—Barristers, solicitors and so forth.

Q.—And the majority of your loans in the North West are put through by means of that firm? A.—Yes, the large portion at least, of the North West loans.

Q.—They get the applications for the mortgages and loans? A.—Yes, through others, I believe.

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Q.—And they get a commission from you? A.—Well, that probably goes to the other people.

Q.—Who do you mean by the other people? A.—Agents who bring them propositions for loans.

Q.—What rate of commission do you pay Andrews & Andrews? A.—One per cent.

Q.—One per cent. on all mortgages that are put through? A.—Yes.

Q.—Then they collect their fees for passing the title from the mortgagor?

A.—The expenses are collected from the mortgagor.

Q.—Do they report to you on the value of the property? A.—Yes.

Q.—Do you get any independent report? A.—Not generally. Saving an explanation I will give you when you come to it.

Q.—Let us have it now? A.—I go there periodically myself and look over every loan we have got.

Q.—You would not want to put that down as a sufficient check if there was anything wrong? A.—In the interval, of course, there would be no check.

Q.—Even with your trip there, while that may be very instructive and be helpful in discussing matters with your Board of Directors, you would not attempt to pass on loans, would you? A.—I think I would with the experience I have had there now to a certain extent. I would, of course, fortify myself by independent inquiry—I always do—as to values.

Q.—Independent inquiry in what way? A.—Seeing real estate men and men in business that I happen to know, to get their ideas as a check on myself and on Mr. Andrews.

Q.—If you regard that as essential when you are there yourself, why don't you regard that just as essential when they are sending in the papers when you are not there, to have an independent check? A.—We have found so far that Messrs. Andrews are very conservative and careful people and in no case have we had the slightest trouble.

Q.—Have you had no loss? A.—None whatever.

Q.—How long have you been lending? A.—About four years.

Q.—You would not expect to find a loss in the last four years? A.—We do not expect it, of course, because we believed the matter was being worked by trustworthy men.

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Q.—It has been a period when mortgages were being paid there in the last four years? A.—Yes.

Q.—And even though you loaned pretty well up to the full value of the property you would be paid, would you not? A.—Yes, I suppose so, but then we do not do that, we keep at 50 per cent. or less.

Q.—That is what I am questioning you about, how do you know you keep at 50 per cent. or less? Where the persons you employ to supervise the transaction from your standpoint, are interested otherwise in it? They are interested in getting it through? A.—Well, I suppose what you mean is that we have no independent check on them again, is that it?

Q.—It would strike one that you have persons employed there, acting for you, whose interest might be a little against yours and you have no independent check on them? A.—Well, I think that their interests are on all fours with ours in reality.

Q.—The more money they lend the greater their remuneration? A.—They must do the right thing with us or they lose our business and that business pays them pretty well.

Q.—Lose it, of course, but not until conditions change in the North West and then when you have ascertained the loss it is too late to repair it. Is it not sacrificing thoroughness for an inexpensive way of carrying on your business? A.—I don't think there is any real danger at all, though it may look like it theoretically.

Q.—How do you think it looks theoretically, without regard to your company? A.—Well, on theory you should have checks and counter checks and checks on the counter checks again almost ad libitum, and yet in practice one or two of these checks may be found quite sufficient.

Q.—That may be so. What would you say now, without making it so hypothetical as that, about the practice adopted by another company, where they find as careful a manager probably— A.—Thank you.

Q.—While I have no doubt that you are watching the money that goes out from your company very carefully, Mr. Hilliard? A.—I am. I say that sincerely, now.

Q.—And probably your desire to conduct it in that way leads you to depart from a practice that you would



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approve of for another company. Is there anything in that? A.—What is the practice? I think I interrupted you.

Q.—What do you say about this practice of sending out to solicitors instructions to get applications, pay them one per cent. on all the applications they send in, have them value the property for you, tell you whether you should make the loan, and then collect a fee from you and a fee from the mortgagor? A.—Well, if these people are thoroughly responsible and men of good judgment, it would work all right.

Q.—Then you are pinning your faith to the personal element, are you not? A.—Very largely.

Q.—And you make yourself an exception from what you would lay down as a general rule? A.—At other points, if you will allow an interjectional remark, we have a different valuator from the man who is putting the loan through. In this case we are doing it differently.

Q.—Will you tell me why you are doing it differently, except it be that Mr. Andrews is a director of your company? A.—He was not until a few months ago.

Q.—Did this arrangement exist before he became a director? A.—Oh, yes.

Q.—So that his association with the company in that capacity was a subsequent matter? A.—The thorough satisfaction of the Board with his management of that part of our business there led to the suggestion that he be made a director as a sort of certificate of our faith in him and also to tie him more closely in interest and in every other way to the company's interest.

Q.—It is an arrangement that would tie him pretty closely, of course? A.—It makes him responsible to a greater degree than before.

Q.—The question is whether it is not too much responsibility? A.—Yes, I suppose that is the question.

Q.—How do you arrange for the advancing of the money? Do you send it to Andrews & Andrews for each loan or do you let them keep a current sum of money in Winnipeg? A.—No, sir, neither. He sends on the papers, sometimes the application with valuation and his recommendation. Sometimes he completes the mortgage and sends all together but advances no money, at all events we don't advance any money until we

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have seen the papers, have passed upon the loan and our solicitors in turn have given a certificate for the title back of his certificate which always accompanies it, and we then send him a cheque for the money.

Q.—There is no money passes otherwise before that time? A.—No, I don't say that he has not made some advance on the strength of it going through, to the borrower. Personally I believe he has done that, sometimes.

MR. LANGMUIR: Do you have annual repayments of principal on the capital of your mortgages? A.—No, sir, semi-annual. As a rule with very few exceptions, Winnipeg mortgages are drawn this way.

Q.—I am thinking of farm mortgages as well? A.—Well, usually; yes, in the West.

Q.—And you say you inspect them yourself when you go up? A. Yes, sir, and several members of the Board, I ought to have mentioned at that time, have been sent from time to time to make similar inspection as a check on the work that has been done.

Q.—You have got \$400,000 there now? A.—Yes.

Q.—When you get up to a million do you think it will be advisable to have a local inspector? A.—I think by that time we would find it advisable to employ a local inspector or a man travelling from place to place to keep a more close inspection upon the business. It will be necessary, too, as well, very soon to appoint agents at other points so as not to carry too large a percentage of the company's loans in a particular locality. That is now under consideration.

MR. TILLEY: What is the average rate of interest that you get on mortgages? A.—Well, I will divide the answer to that question slightly. The average on all our investible funds last year was 6½ per cent. That takes in debentures as well as every investible amount. The average on mortgages last year was 6.446. That includes Ontario as well.

Q.—How would the Manitoba mortgages compare? A.—A little higher. I made up a few days ago an average for the half year's loans that have just gone out in this last half year. I noticed that that and the whole of last year were within a very minute point of being the same. It is about 7.2 for Western loans.

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Q.—Is that practice that you adopt in the case of Andrews & Andrews as to paying them a commission on loans, not a rule that you have in force here in Ontario, too? A.—The amount of commission?

Q.—Yes. A.—Yes, that is the usual commission, one per cent.

Q.—Do you always pay one per cent.? A.—Yes, for a number of years back we have.

Q.—Is that a standing offer by your company or do you ever get mortgages without paying any commission? A.—Very seldom. We do occasionally get one that comes to the head office direct. Nobody gets a commission on that. There are not many.

Q.—Supposing he should meet a director on the way to the office, what would happen? Do you directors get commission? A.—It depends on who the director might be. Some of them do. Those connected with the Investment Committee have not, to my knowledge, ever received any benefit by way of pay or a commission for any loan they might bring in. Directors outside of the Investment Committee who do not themselves pass on it have, in certain cases, got commission.

Q.—Tell me then, what directors get commissions on loans? A.—Speaking from memory I don't know that any directors have got commissions, at all events to any extent except it be Senator McMullen's son, who has done business for us in the part of the country where he lives. The part of the country around Mount Forest. His son is a legal gentleman who has given us loans and the Senator himself has personally made valuations and we would pay the commission to the son. I don't know whether you would consider that as coming within the category you have mentioned. It hardly does. It is not to the director himself.

Q.—Is not that probably objectionable from the same standpoint as the Andrews' transaction, assuming that theirs is objectionable? A.—It seems far fetched. Are we to refuse every piece of business that comes through a director or some member of his family for fear they may get a little commission out of it?

Q.—I should say not; they are not debarred from doing business with your company, but how about the director who is the father of the person getting the commission making

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a valuation? What do you say about it then? A.—Well, we think he is the best valuator we can get and probably interested in the company.

Q.—Would you do that with all the directors? A.—It depends on the view we had as to the reliability of their judgment as directors.

MR. LANGMUIR: The Senator makes the valuation? A.—Yes.

Q.—And he is responsible for his valuation? A.—He has gone further than that, he has said to us that if at any time, any loan he values is in default, he will pay the default himself, that he won't allow the company to suffer.

MR. TILLEY: Do other directors get commissions direct? I was not meaning a case where a son of a director got a commission, although even there it would seem better to have the valuation made by an independent person. A.—I could not find anybody that I would trust as quick as the Senator. I would rather have his valuation than anybody else's. At his invitation I went up, some time ago and went over all but two of those loans; we valued them independently and we came out very near alike. There is not a single case in which any of Senator McMullen's loans are seriously in default with interest, any of those he has valued.

Q.—The Senator has never been called upon to pay? A.—No, he has never been called upon to pay anything.

Q.—I notice in the Minute Books several references to payments of commissions on loans. March 20th, 1894, there are a lot of commissions. They are very small in some cases. A.—Those were directors, these are valuation fees.

Q.—Do you pay your directors valuation fees? A.—We did in those cases.

Q.—Do you as a habit, as a rule? A.—Yes, if a director is sent out to make a valuation we pay him a fee.

Q.—What fee do you pay him? A.—It depends on the trip and the value; sometimes a dollar or two, sometimes as much as \$3 or \$4.

Q.—It depends on the particular circumstances? A.—Just so.

Q.—You do not regard that as being covered by his remuneration as a director? A.—No, it is a special service and a responsible service and it is paid for by the other party, the

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borrower in fact although it came through our books.

Q.—Because the borrower paid it to you? A.—Yes.

Q.—There is a commission of \$20 paid to a director? A.—Paid to Mr. Sneider as appears there.

Q.—Being a commission on what loan? A.—Commission on Keinappel loan \$20.

Q.—Is that an instance of a general rule in your company or is this a special case that we have struck? A.—There have been very few cases of that sort. There were a few in earlier years. I see this is 1894, some 12 years ago. You will find very few after that.

Q.—There are a good many through the minutes? A.—In those earlier years. Of late we have had very few cases.

Q.—Now supposing a director comes in to you and says that there is an application for a loan from so and so for \$2,000, what would be the rule about that, would he get a commission or not? A.—He might. We might not want the loan, if the loan were acceptable to the company a director other than those on the Investment Committee would probably get the commission without a word about it.

Q.—The Investment Committee has been in existence, how long? A.—I cannot answer offhand, I suppose six or seven years. Along there, somewhere.

Q.—The Investment Committee was first appointed in 1902? A.—No, before that. That business was done by the Executive for a number of years. The loaning was not very extensive then. After it became a larger part of our business an Investment Committee was formed.

Q.—This transaction we have here was in the year 1894. That covers a commission to S. Snyder and at that time the business was dealt with by the Executive Committee? A.—Yes.

Q.—And S. Snyder was on the Executive Committee? A.—Yes.

Q.—Here is another commission, the same man; the amount is \$6, the first being \$20. Another commission at the same time for \$3 for a valuation? A.—Yes.

Q.—Is this man a director? A.—He was then.

Q.—Mr. Conrad? He got a commission of \$7 for a loan. Then W. Sneider? A.—That is a valuation again.

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Q.—He was on the Executive Committee? And Mr. Wells. He was also on the Executive Committee. They were practically the Investment Committee at the time. A.—If you will allow me to mention this; this man is dead. Might not his name be left out? There is nothing disgraceful about it, but I suppose dead men may rest, if you will.

Q.—Those transactions were isolated cases? A.—No, not entirely. I think any director who brought in a loan at that early period got a commission.

Q.—Was that rule ever changed or abrogated in any way? A.—It fell into disuse, after the appointment of the Investment Committee, the members of the Investment Committee felt that as they were passing upon the loans they would have nothing to do with commissions. As far as I remember there was no resolution but it was tacitly understood in that way.

Q.—Can you say that no member of the Investment Committee has ever taken a commission on a loan that passed through the committee? A.—I would not swear to that. I am not sure enough. But I know it fell into disuse in that way.

Q.—Where would those commissions be shown in your books? A.—They would appear here and in the Cash Book under the head of Commissions on Loans.

Q.—Are they collected in any account? A.—Yes, under that head, "Commissions on Loans," as appears here.

Q.—Would you get me that account, please? A.—This account contains that. (Refers to printed Annual Report.)

Q.—Does the Ledger give the names? A.—I don't think so.

Q.—Then we will have to have the other book that gives the names. You had something you wanted to say about the way the funds were invested, the nature of your general investments? A.—The investments of the company are in municipal debentures, first mortgages on real estate, a small parcel of real estate itself, and loans on policies. That is all the invested funds. The point being that the company holds no stocks. I do not intend by that to reflect upon any who do hold stocks, because there are good and bad stocks, but we don't hold any.



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Q.—You have power under the Act to hold real estate. Have you any real estate other than what is mortgaged to you? A.—We have a parcel of real estate situated in town here and purchased and held for the purpose, if deemed desirable some time hence, of building a head office. We have secured a suitable site for that purpose. That is the only real estate we hold.

Q.—Then Section 13 provides that the company shall maintain three separate accounts of the business transacted by it in the General, the Abstainers and the Women's section, keeping the receipts and expenditure distinct, each section sharing its own profits and paying its proper proportion of expenses, and the company may establish a section on the principle of non-participation in profits. In the distribution of profits directors shall allow to the policyholders in the participating sections of the company at least nine-tenths of the profits declared from time to time in the respective sections, which shall be payable as the directors by by-laws or regulations from time to time determine. Do you keep the three sections of your business? A.—Yes, four.

Q.—What are the four? A.—The non-participating is the fourth.

Q.—Do you keep them distinct, as the Act requires? A.—The premium income to begin with is kept quite distinct through all the books. The Cash Book is ruled in columns and headed for the several sections there and the premiums as received are entered in the appropriate section. That has the effect of keeping the incomes separate. Then the other separation takes place in respect of the mortality experience, year by year. The deaths that occur in the abstainers' section are charged to that section; that and the general section to its appropriate place; and the women to their section. That enables us to keep the proper sections as intended by that clause you have just read. The expenses, of course, are distributed as though there were no distinction or section.

Q.—What do you mean by that? A.—Well, in the same ratio whether a man is in one section or the other or it is a woman, the expense ratio is treated without regard to the section. The object of that is to make the mortality experience fall upon the section it belongs to and takes the proper effect in the resulting profits.

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Q.—How do you find the mortality experience in the different sections? A.—We have a schedule of that drawn up and I can give it to you in a moment when Mr. Hall comes in.

Q.—Do you keep an individual account with every policy? A.—Yes.

Q.—Have you samples of that here? A.—Samples were submitted to the Commission.

Q.—Have you separate copies that we can put in? If not we can get those later. A.—I think I can get you a number of samples worked out. I suppose samples are all you require.

Q.—Yes. Then you are bound to declare certain profits and out of the profits declared in the particular section pay nine-tenths to the participating policyholders in that section? A.—Yes, not less than that.

Q.—What rule have you adopted as to the amount paid out? A.—So far we have paid the policyholders all we declared.

Q.—You would simply divide a certain amount? A.—Yes, holding a portion back as undistributed surplus.

Q.—What governs you as to the amount you will hold back? A.—Prudence, I suppose.

Q.—Is it an arbitrary division? A.—It might be called so. I would rather call it our best judgment as to the proportion that ought to be held back for safety. That is exercised on the matter until the policy becomes matured, when that policyholder gets all that is coming to him.

Q.—Have you any rule about that? A.—Yes, I suppose we have. It is somewhat complex.

Q.—As to the amount you divide? A.—I think I have a statement of that kind here. As it is a somewhat complex thing I had better give it to you in detail. Mr. Hall has that also. I think I could give you that rule from memory but it would be better perhaps to give it from the paper.

Q.—Then will you tell us what you have done regarding capital stock from the organization of the company down to date? A.—What do you want to know, first the amount paid up? That we had some time ago; it was \$63,000 and I think one or two hundred. Raised in a couple of years to \$64,000, I believe.

Q.—The capital stock subscribed at the present time is \$400,000, is it not? A.—Yes.

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Q.—And the amount paid in \$100,000? A.—Yes.

Q.—That consists of two issues of stock, does it not? A.—Yes.

Q.—The first one being how much? A.—Paid up?

Q.—No, the amount subscribed? A.—\$256,000 and some odd hundreds.

Q.—The amount paid up at that time was \$64,400? A.—Yes, four times that would give you the subscribed, \$256,600.

Q.—It stayed at \$64,400 from '94 down to 1900? A.—Yes.

Q.—In '94 you paid 3 per cent. dividend, in '95, 4 per cent. and in '96-7-8, 5 per cent., '99 and 1900, 6 per cent. In 1901 the capital stock was increased from \$64,400 paid up to \$100,000 paid up? A.—Yes.

Q.—On the \$64,400 had there been any premium or bonus charged? A.—No.

Q.—I suppose at the time you issued that stock the idea of issuing stock at a premium had not been used? A.—It was not much in vogue then so far as I know.

Q.—When you issued the second amount of stock, did you issue it at a premium? A.—Yes.

Q.—What was the premium? A.—50 per cent.

Q.—That is to say every share of \$100 would be \$150? A.—Yes, or in other words, every share being \$100, we called 25 per cent. of it and they paid \$37.50.

Q.—You called 25 per cent. of the capital and premium, which would be one-quarter of 150, that is \$37.50, don't you? A.—Yes.

Q.—Then when you got that \$25 went to capital? A.—Went to capital and became a liability.

Q.—And the other \$12.50? A.—Went into the general surplus and was used to make the change in the rate of interest that was brought about at that time by legislation.

Q.—Had you thought of raising the capital before the Act changing the basis of reserve was passed? A.—We had not determined upon it before but I cannot say we had not thought of it.

Q.—Why were you thinking of it? A.—The general desirability of having a more substantial capital at the back of the company. That was one reason.

Q.—Why did you want a more substantial capital? A.—It gives the public better confidence.

Q.—Was there any impairment of capital? A.—In the second or third

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years there was a very slight impairment.

Q.—That is '04 and '05? A.—No back in 1890 and '91 I think there was a slight impairment, about \$2,000 or \$2,300, I think it amounted to. It was wiped out a year or so later. After that we had a slightly rising surplus.

Q.—So that your surplus was steadily increasing? A.—Yes.

Q.—Were you paying out profits to policyholders? A.—Yes.

Q.—Satisfactory profits you thought? A.—I thought so. It is difficult to answer that categorically and say everybody was satisfied. We did not have much complaint.

Q.—You were setting aside a little more to the reserve surplus account? A.—Yes, rather a surplus account. We were keeping the surplus at  $4\frac{1}{2}$  as required by law and then the standard was raised to  $3\frac{1}{2}$  on new business and 4 to come on soon after, so it was thought a good time to increase our capital, issue the additional stock at a premium, use the premium to make up the necessary reserve and thus not bear hard upon the policyholders. As a matter of fact the premium did raise the required amount of additional reserve at once and about \$1,000 over. The effect was that we did not ask the policyholders to pay a cent in any form in regard to this change.

Q.—Nothing was kept back from the policyholders fund? A.—Nothing.

Q.—Would you have changed your basis of reserve if the Dominion Act had not required it? A.—Well, that is rather a hypothetical question and involves some considerations that make it difficult for me to give a direct yes or no to it.

MR. LANGMUIR: You were getting over 6 per cent. upon your investments? A.—Now, yes.

Q.—Then? A.—No, not at that time.

Q.—You had not gone to Manitoba then? A.—No, we were getting only a little over 5 at that time and the trend of interest at that time on such securities as are available to insurance companies appeared to be slowly but steadily downward, year by year. All financial authorities, so far as I know, appeared to agree that that trend was established, that we were face to face in the future, perhaps somewhat distant, but in the future with a comparatively low rate of interest, and that as we were making contracts which would not mature for

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many years, some of them for 40 or 50, we must look that state of things in the face, and thus the argument for raising the standard of reserve, which means lowering the assumed rate of interest, appeared to be very strong, stronger than it does to-day; so that now, coming to an answer to your question, I think I would have been disposed to take this step in a year or two but I do not know how the Board might have decided. The Board generally takes its own view; I might advise but the Board decides off its own bat after all, according to its own judgment.

MR. TILLEY: Influenced by your view? A.—Yes, no doubt, but after all it is their judgment, not mine. I do not assume to overmaster the Board in any way.

Q.—You might have lowered the rate of interest for your reserve without paying in any more money, could you not, by doing it gradually? A.—By doing it gradually, and taking part of the surplus earned by the policyholders' money and laying it by as additional reserve. I am not prepared to say that that would have been unfair to policyholders at all but we thought we did a better thing for the policyholders by the shareholders lifting that burden a once.

Q.—The shareholders lifted the burden with one hand and put on another burden with the other? A.—I am prepared to show that they did not put on any burden.

Q.—They put on the burden of the additional capital stock? That is burden with the other? A.—I have a statement which will show that the policyholders have not paid a cent of dividend to the stockholders yet and will not for some time to come.

Q.—I will take that statement now, if you please? A.—I do not want to interfere with the trend of your questions at all.

Q.—This you put in as a statement of interest earned by capital stock paid in, and dividends paid to the shareholders? A.—Yes, that shows the interest earned by the capital paid in by the shareholders carried on from year to year and on the other hand the dividends paid out.

Q.—Commencing with the year 1889? A.—Right at the beginning.

Q.—You show the invested assets? A.—The total invested assets in order to get at the interest earned. Then we make an allowance for the care of the investments which is taken off the

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shareholders amount, in order to make it correct.

Q.—Then you put in the total of interest and get the average rate? A.—Yes, we credit the amount to the credit of the shareholders with the average rate and we deduct a percentage of that for care of investments and carry it on from year to year.

Q.—That shows that the net interest earned by capital from 1889 on is the amount of \$916.21 in 1889, and increasing amounts afterwards? A.—Yes.

Q.—In the next column you have the total amount of dividends paid?

A.—Yes, that is subtracted then from the shareholders' fund.

Q.—In the last column you have the gross interest capitalized from '89 down to date? A.—Year by year, yes. What is not taken out is fairly capitalized because it remains earning interest.

Q.—The shareholders' money must go on rolling up then? A.—Yes, unless they take it out.

Q.—Commencing in '89 your company paid no dividends at all to its shareholders? A.—None where there are blanks there. '89 I might explain was a half year. This present day closes our seventeenth year of existence. We opened on the 12th day of July, 1889. It is probably our treat and with Mr. Wegenast's goodwill I hope the Commission will adjourn early enough to enable us to give them a drive this afternoon.

Q.—So that the interest earned by capital all remained with the company down to 1894? A.—Yes.

Q.—Then the capital commences drawing on its share? A.—Yes.

Q.—And it drew \$1,932 in the year '94 and has been gradually creeping up ever since? A.—Yes.

Q.—Until now the amount paid in dividends is \$8,000? A.—Yes, that is 4 years.

Q.—So that while the amount paid to the shareholders was an amount lower than that earned by the capital stock, it has now got to an amount greater than that earned by the capital stock in each year? A.—Yes, as shown here.

Q.—That is to say in 1902 there was a sum of \$693.73 paid out to the shareholders in excess of what the shareholders' capital would earn at the average rate of interest? A.—Yes, that is taken out of the surplus, you see: it has not reached the policyholders yet.



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Q.—But we are getting towards the policyholders pretty fast? A.—Well, see if you are.

Q.—Then \$1,401.26 in 1903? A.—Yes.

Q.—And \$1,040.51 in 1904? A.—Less again.

Q.—And then in 1905 where you have a large rate of interest—an exceptional rate of interest, is it not? A.—Oh well, it will be better this year.

Q.—It comes to \$414.13? A.—We propose to wipe that out this year by reason of the excess interest.

Q.—But that excess interest is a great deal higher than you anticipated back in the year 1900? A.—Yes.

Q.—Or than any of the companies anticipated? A.—Yes.

Q.—Because the companies' managers all agreed, did they not, that there was likely to be a much less earning power for money in the shape of interest? A.—Well, you see we had not as much faith as Sir Charles Tupper had some years ago, in the progress of the West. We did not foresee the 643 million bushels of grain in one year.

Q.—Probably that affords an explanation, but the fact is that the rate now you are earning is something that was not looked for? A.—Just so.

Q.—And probably will not continue? A.—It may not continue.

Q.—You hardly expect 6 per cent. to continue as the average rate of interest for the company? A.—For some years to come, I do.

Q.—For how long? A.—I cannot tell. If I could tell that with any certainty I would be worth a lot of money to-day to somebody who could make use of it.

Q.—If that drops, and when it drops, then the amount paid to the shareholders will just increase in the reverse proportion to the earning power? A.—Yes.

Q.—You will continue to pay at least the same rate of interest to your shareholders? A.—We hope to be able to do that, if not better.

Q.—You anticipate better, I suppose? A.—Yes.

Q.—These documents will be filed as Exhibit 338. What need is there in the company for capital stock at the present time? A.—Hadn't we better go back a little before putting it that way. You cannot start a company without.

Q.—At the present time, though some people would go so far as to say

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that it should be wiped out after a certain time? A.—I am coming to that. I think that would be a very unfair proposition indeed for a company in starting; I think it will be admitted that it cannot be started under present circumstances in Canada to-day as a purely mutual company; capital is necessary. Then, if capital takes the risk, and it is a very great risk as I think the Commission will have seen by this time, it is a very considerable risk that men take when they put capital into starting a life insurance company. Why should they be faced with that risk if they are to be faced with sequestration in the end?

Q.—Why should stockholders put in additional capital when the risk is all over? A.—The risk is never all over.

Q.—It is substantially over if your theory is right. A.—It is not over so long as men are human. There is the danger of mismanagement and misfortune.

Q.—The risk in your company would be in charging too small premiums, would it not? A.—There are several things that might happen though not very likely. I don't think the risk is very great at the present time.

Q.—And was not when you increased the capital? A.—No, although even then we increased the capital to make it substantial. It is not a large capital yet.

Q.—You did not regard it as being necessary to increase the capital for that purpose? A.—We regarded it as very expedient. Necessary is a very strong term. We could have lived without it, I suppose.

Q.—And got along very well? A.—Not so well. We would have had that difficulty of raising the standard of reserve before us still. That would have come back to reduce profits and we know from our general knowledge that the reduction of profits to participating policyholders is a very serious matter.

Q.—You are not paying out to policyholders all their profits any way? A.—Not quite. We were holding what we thought it prudent to hold as a buffer or safeguard.

Q.—How did you allot that stock, did you offer it to the public? A.—No, not in the sense of a general advertisement.

Q.—What did you do? A.—Circulating it in the newspapers would be offering it to the public, I suppose. I consulted with the provisional di-

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rectors, those gentlemen who expected to be directors.

Q.—You are talking of the original stock. I mean this last allotment?

A.—Oh, this additional stock was allotted in this way; there is a by-law that will tell all about it here.

Q.—You tell us and then we will have it on the notes. A.—Each existing shareholder was offered the opportunity of taking up the additional stock in the proportion of 50 per cent. of his present holdings, pro rata.

Q.—Pro rata, giving each shareholder the right to a half increase?

A.—Yes, if a man held \$3,000 he could subscribe for \$1,500.

Q.—And your by-law provided that any left after that would be given to the shareholders that wanted it or to the public? A.—Yes, or could be offered outside, if need be.

Q.—What was the result of offering it in that way? A.—The result was that by far the larger portion was taken up by the shareholders then existing to whom it was offered. A comparatively small amount was left and was redistributed to those who asked for it.

Q.—Who got the most of it? A.—I got as much as anybody myself, I think.

Q.—How much did you get? A.—My present holding is \$7,000 paid up out of the \$100,000.

Q.—There was no great increase in any individual holding of stock? A.—No disproportionate increase. One of the other directors holds about the same amount as myself, Mr. Wells. About the same amount or nearly so and the others are somewhat smaller. It was kept as near as possible to the plan of giving it pro rata.

Q.—You do not seem to have experienced the serious impairment of capital when your company was commencing, that the new companies do to-day? A.—No, sir; I am happy to say we did not.

Q.—Could you organize a company now and start it and get it on a paying basis with as small an impairment? A.—I would not like to try, because it is a very serious sacrifice to the man who does it.

Q.—What conditions exist to-day that did not exist then? A.—The expenses of getting new business on the books are greater now than they were then.

Q.—Caused by what? A.—The greatest cause of all is the increase

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in the cost of living. That has more, I think, to do with it than any other single cause. There are other causes that have some weight. The other causes would be taxation which is a new thing since we started. Taxation by the several Provincial Governments is heavy now. They tax the premiums and we must collect and pay these taxes and that is a decided increase in the cost of doing the business, not only getting but doing it. Then there is the practice, which has become somewhat prevalent, of late years, of rebating a portion of the premiums. That increases the cost.

Q.—That has not been heard of as far west as Waterloo? A.—Tell me when you are joking.

Q.—I was joking then, if I have to tell you. A.—That has been heard of all over the continent, and unfortunately the more it is heard of the worse it gets.

Q.—Every applicant wants his rebate? A.—That is it.

Q.—It was only the knowing ones a while ago? A.—Some years ago just a few of the big fellows asked the company for a rebate. Of late years some of the smaller ones do, and the more publicity it gets of course the wider it spreads, it runs like the itch or smallpox or any other calamitous thing like that.

Q.—I suppose that the Dominion Life rebates? A.—I can hardly say about that. Most of that kind of thing is done so that we don't know so much about it. We feel it rather than know a particular case.

Q.—That is not quite as far as you could go, is it? A.—How far do you want me to go?

Q.—Oh, the whole truth. A.—Well, I don't know the whole truth, nor probably half of it.

Q.—Could you draw on your imagination for a little of it? Tell us exactly what the condition is that exists. A.—It would be poor evidence to do that.

Q.—Oh no, it would be very good evidence. Tell us just what condition the Dominion Life is in with respect to the rebating question? A.—As I said just now I don't know, I only surmise and suspect and in a few cases I may know. Agents sometimes come with a complaint that they are up against rebate and have to meet it or lose the business. That is the way I hear of it.

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Q.—Are your agents paid by salary or commission? A.—A little of both in most cases, part salary and part commission. When we start a new man of late years we are almost obliged to give him some salary to help him to live and give him the usual commission besides. Then as he gets along and gets the benefit of renewals we pare down that salary, bit by bit, until it disappears finally, and he is then on commission purely, having got established. That is the way we do. We don't make advances to agents at all. We start the man as I have just said on a mixed salary and commission.

Q.—Then having some agents, and especially the beginners, on salary or partly on salary, it would come direct to your attention that they would have to give rebates, would it not? A.—Well, not very much, but it does sometimes.

Q.—Is not the beginner met with that more than others? A.—To be perfectly candid I have no means of knowing to what extent the thing goes, but I know that to some extent it goes on.

Q.—Do you ever make an allowance to an agent because of a rebate? A.—No, not for that purpose.

Q.—It is not entered in the books for that purpose? A.—No, but to say to him you can have so much in consideration of rebating.

Q.—If an agent comes to you and says, I can get a certain policy for \$5,000 or \$10,000, but I have got to make a rebate, I am up against the Mutual Life, we will say, being in Waterloo, and I must give a rebate if I am to get the business?

MR. KENT: The whole premium.

MR. TILLEY: I am more modest. I thought of saying two premiums, but supposing they have offered 25 or 50 per cent. of the premium or commission, what do you say to a man like that? "Don't take the business"? A.—Usually tell him, if you cannot do business under your contract you have got to do without.

Q.—You leave it entirely for him, if his remuneration from the company will not permit him to get the business then the business goes by the board? A.—The business goes by the board.

Q.—The company has never given the man a consideration or a little extra so that he could meet that rebate? A.—Well, I am not prepared to just say never, but I am trying to

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recall any case that comes in that class.

Q.—Do not try to recall a particular case but as a general practice, could you say that? A.—Oh, no, as a general practice I would say, no, to that.

Q.—That is to say you would say that the company does not as a rule, in a case like that, assist the man in meeting competition? A.—Oh, no. I say that positively. I am trying to think whether there is a case that might be trumped up as an exception. I won't say positively that there has never been any such case, but I say positively that there is no such practice.

Q.—Have you ever discharged an agent because he rebated? A.—No.

Q.—Have you ever had complaints made to you that your agents were rebating? A.—No. I don't expect any. The fellow that gets the rebate never complains.

Q.—Does not the other company complain? A.—I don't recall a case in which it did complain.

Q.—Has it got to be so well known a practice that the companies do not complain, the one to the other? A.—Oh no, I don't think it occurs so often, as the public, perhaps, would infer.

Q.—What percentage of the ordinary canvasser's commission does he give away in rebating? A.—I am afraid you have got me now where I cannot give you any answer worth anything. I really don't know. I cannot guess. I believe some of our agents have not lost 5 per cent. of their commissions in rebating. Some, I am pretty sure, do not do it at all. Others I suspect do quite a bit of it.

Q.—You could not tell what your worst rebater does? A.—I don't know. I am a little afraid that we have one or two men who will give the whole of their commission in some cases.

Q.—Did your company ever allow the whole first year's premium? A.—Ever?

Q.—That is the word I used. A.—I think we did in one instance.

Q.—Who was the insured there? A.—Don't ask me the name.

Q.—An officer? A.—Not anybody connected. A very peculiar case. I think there was only one.

Q.—And he was not connected with the company in any way? A.—No.



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Q.—By business interests or relationship? A.—Oh no, no connection whatever.

Q.—Just a case of getting the business? A.—Yes. It was in this way, and you will see the explanation, perhaps. The State Life of Indiana captured a risk from one of our agents by making him an advisory board and after he had paid the premium he was very sorry; he came to our man and said that if he could in any way get rid of that thing or do something to get into our company instead he would do it. The net result of it was that our agent made an arrangement with him by which he paid the first premium and sacrificed his renewals for several years to make it up to the company. We did not lose the first premium ourselves, but the agent, I believe, did.

Q.—Did you get the premium at the time? A.—Yes, we got it in the agent's usual settlement.

Q.—Right at the time? A.—Yes, I don't think there is any other case on our records that ever came to my knowledge that meets that, but you asked me if ever, and I have given you the only instance.

Q.—What company did that man go to with the same story next year? A.—Oh, he is with us yet. We made a bargain to stay or else our agent would have lost the money.

Q.—Isn't that the story they usually employ when they want to pass around for a few years and want to get all the premiums off? A.—I don't know. We have had no experience of them. I heard of some few cases. When we hear of a rounder, we keep clear of him.

Q.—Is that a technical term, rounder? A.—Not in that sense. I used it just now borrowing it from another line. We do not want that kind. I wouldn't take any man living if I believed he was going to lapse his policy at the end of the year. He would be of no use to the company.

Q.—No matter what premium he paid? A.—No, it would be a straight life, of course, and without profits, if he could get it and then he goes to another company. We don't want him.

Q.—Did you carry your preliminary expense account along as an asset for a time? A.—Yes.

Q.—For how long? A.—Two or three years, I think in part. We

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wrote a piece off every year.

Q.—Writing it off a little each year? A.—Yes. You have the amount there, have you.

Q.—Yes. On what theory do you regard that as an asset? A.—It is expenditure in establishing the working plant of the company and there is a sense in which it might fairly be spread over several years. The Government, of course, did not allow it, it was marked "deducted" by the Department, but we showed it, I think, for three years in part and then wiped it out. I think the amount was \$1,328, if I remember correctly.

Q.—You were speaking of the amount of impairment for a few years in your company. Did you adopt any means to get rid of the impairment by having money paid in and credited to expenses, in any way? A.—No, the only means we adopted was, we lived cheap.

Q.—And kept down the expenses? A.—Got very small salaries. The directors getting little or nothing and myself a very low salary and very small staff. A young lady and myself for a year or two. Adding one or two at very low rates indeed, hardly enough to live on, just economy in that sense, if that is economy. Some people say that cheap men are dear men, you know; perhaps that may be so, but we did it that way.

Q.—You have been extending your business by easy stages, so to speak, not making too strenuous an effort to get on full sail in one or two years? A.—We have endeavoured to progress at such a rate as to add a little to the amount in force year by year and do as much of it as we thought we could afford, consistent with paying reasonable profits to policyholders as we went along and gradually increasing our surplus. A policy of economy, and it might be called a conservative policy, I suppose.

Q.—Do you still think that is the wise policy or would you map out the course differently if you were doing it again? A.—Having regard to lessons obtained by observation of some rather heavily water-logged barques, I think our sailing directions were rather better; I think it was safer to proceed on those lines.

Q.—You did not mention any names then, did you? A.—No, sir; I avoid that. You can pick out the derelicts yourself. I am very favour-

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able to nursing surplus within reasonable limits.

Q.—I notice by your report that you seem to think that is the proper course. I was noticing your schedule of expenses in obtaining and retaining insurance. You have given the first year's premium and the renewal premiums, the agents salaries and commissions both for new and old business in the schedule, have you not? A.—Yes, you have it before you there.

Q.—The payments for new business and the premiums for first year's business, do not seem to progress evenly all the way through. Was there anything specially that would account for that? Take the year 1899, for instance, your first year premiums were \$27,283.41? A.—Yes.

Q.—And your agents' salaries and so on for new business \$17,431.52? A.—Yes.

Q.—Now take the following year, 1900, the premiums dropped from \$27,000 down to \$16,000, is that right? A.—Yes.

Q.—Down to \$16,682.58 and the amount paid out for the expense of getting the business dropped from \$17,431.52 to \$14,773.68? A.—Yes. We didn't get so much business and didn't pay so much out, either.

Q.—Comparing that with the preceding year, 1898, the first year premiums were within \$200 the same? A.—Yes.

Q.—The expenses were some \$4,000 less, amounting to only \$10,688.89? A.—Yes.

Q.—So that you paid out \$10,000 for \$16,000 premiums that year, and in 1899 you paid out \$17,000 for \$27,000 premiums, and the following year you paid out \$14,000 for \$16,000 premiums, the same as you had in 1898. Now, that increase of \$7,000 you paid out in getting the \$27,000 of first year's premiums, was that a year of a little more stress to get business? A.—That is normal. That increase is all right. The explanation you want is the following year, isn't it?

Q.—That year it increases from \$10,000 to \$17,000 in payment out and increases in \$16,000 to \$27,000 premiums? A.—That is in proportion.

Q.—About in proportion, but you increased \$11,000 in first year premiums in that year? A.—Yes.

Q.—In no year before had you anything like that increase? A.—The

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reason is that in 1899 we were on the eve of the increase in premiums and the new standard and business, I think, to most companies in fair running order came in very well that year. We put on more men, too.

Q.—Was it not the fact that almost all companies got in a lot of business that year by reason of the change in the Act coming into force? A.—Yes. They got people to hurry up because premiums were going to be raised at the beginning of the year.

Q.—The companies must put up a higher reserve for the Government and you had better get in on the cheap premiums? A.—That is the argument, I suppose, that was used. At all events it looks that way.

Q.—And you, I suppose, employed additional agents to go out canvassing? A.—We employed some more men and kept them on the following year and that is why the expenses did not drop as much as the premiums did. We had the men and had to keep them going and they did not do as much work or at least did not effect so much, they may have worked quite as hard.

Q.—You would explain that by saying that in the following year, 1900, the agents were not able to write the same amount of business because the rates had gone up? A.—Yes, the the premiums. They made hay while the sun shone the year before but the clouds came on in the following year and there was not so much hay.

Q.—It was no change of plan on your part that brought it back to the old figure? A.—Nothing that I know of, except the matter we have just spoken of. I think that is the whole explanation.

Q.—You pay your agents by commission and at first, somewhat on salary, you have said? A.—Yes.

Q.—On what do you base your agents' commission on the premium received by him? A.—Up to last year our commissions on new business were based entirely on a percentage of the all life rate no matter what kind of policy it was.

Q.—That is to say that if I came to you and asked for an endowment policy, you being an agent of the company, you would be paid then a certain commission on what I would have paid had I taken an all-life policy? A.—Yes.

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Q.—And not on what I did pay? A.—Just so. That was the scale we followed from the beginning of the company until about this time last year when we began to change to the method more commonly in use, called grading the commissions.

Q.—That is to say you would pay a higher commission on the all-life than you would on the other plans? A.—No.

Q.—A higher rate, almost 70 per cent? A.—No, not exactly that. We pay a somewhat lower commission to-day on the all-life plan when actually taken than we did before we made this change, but we give the same percentage on the long term endowments that we do on the all-life.

Q.—So long as they are 20 payments, do you mean? A.—A man taking say a 30 year endowment would get a slightly larger commission than we would have paid him on the old plan but if he takes a straight life, he gets slightly less than he would have obtained.

Q.—I was not referring to whether you had increased your commissions to agents but when you spoke of graded commissions don't you mean that commissions on the long payment policies are higher than the commissions payable on the policies with a less number of payments? A.—That will take an explanation again. The percentage may be higher, but the amount a man would get for writing a 10-year endowment is a little more than he would get for a long term endowment.

Q.—If an agent gets 40 per cent. on a 10 year endowment plan he might get more in commissions than he would get in the whole life plan if he got the whole premium? A.—Yes, if he got 40 but that is too high, it would have to be cut down to 20 or 25 to get the facts of the case.

Q.—An agent might get 25 per cent. on the life plan? A.—We would have paid him that on the former plan but we would have paid it on all plans, that is if he had no salary he would get that. That was the maximum with a single exception.

Q.—What was the reasoning on which you based your former method of payment? A.—The reasoning is rather simple. It should be all the same to a company whether it gets a man on a straight life, 20 payment life or a 20 year endowment. It is so many thousand of insurance and while in the latter there is a certain amount of banking or investment it does not add much to the trouble of

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the company and tends somewhat to security and it is a desirable policy and it should be about the same to the company.

Q.—That is to say the extra money that the man pays to you is paid in the nature of a payment to you to invest for him? A.—Just so, that is the banking side of it.

Q.—But you should not pay commissions on moneys you are merely getting for investment? A.—Not materially. We should make some slight allowance and we did that by paying a uniform renewal commission.

Q.—Your commissions should be based on the insurance you get and not on the funds you get for investment? A.—That was the reasoning.

Q.—And that was good reasoning? A.—Now you are going to ask me why we depart from it.

Q.—I was going to ask you first to put your own idea a little on the back generally? A.—We will consider it patted, because we had to recede from it, but I am still disposed to stand by that as a better system if certain circumstances were different.

Q.—That is quite what I expected you to say, that the theory of that appeals to you still as proper? A.—It appeals to me still, yes.

Q.—Before leaving that, is it the fact that it would tend to put the insured in the all-life class, that method of payment or is it not the fact? What was your experience? A.—Our experience would tend slightly, but very slightly, in that direction.

Q.—That is the agent coming to you, you deciding that you would pay out a certain amount each year for insurance, his idea possibly would be to get you into the class where he would have the most insurance for that money? A.—Yes, there would be a tendency in that direction. That would be one force working in that direction undoubtedly and probably it did, to some little extent, affect the character of our business, but not largely, not as largely as might be supposed, for this reason; this reason seems to have had effect; our advice to the agent, and the agent's own common sense will run frequently to this, is always "fit your man, study the circumstances of your man and fit him as well as a tailor would with a suit of clothes; make it fit him, his circumstances, his idiosyncracies, sell him what will fit him and that he will be pleased with to the end of the



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chapter. In that way you will please your man and hold him to the end of the chapter and have your renewal commission."

Q.—But an agent is not like a store-keeper, he does not develop a customer? A.—Yes, he does to a very large extent. Many of them write the same man twice or three or four times. That can be done too if a man does the fair thing with his customer and makes a friend of him as he ought to, he will have him again.

Q.—I suppose to off-set the little advantage there would be to the agent to do the business in that way, there would be an advantage the other way somewhat, for the insured to take the endowment policies when he was not loaded with so much? A.—The principle is to give the man the thing he wants and that in your judgment he ought to take. The agent knows more insurance than the customer usually, or he should at any rate. Now if he knows the man's circumstances he can fit him with the kind of policy that man ought to take. I have myself four kinds of policies on my own life.

Q.—Are they with profit policies? A.—All of them. I would not have anything else.

Q.—Did you get rebates on them? A.—Yes, I got a little, the same as all stockholders of the company.

Q.—Are they in your own company? A.—Yes, all stockholders in our company were allowed, if they came in of themselves and put in their insurance, 25 per cent. of the life rate. That is the rule for everybody, no difference made to me.

Q.—I suppose if you were a mutual company there would be no stockholders to get that? A.—No, but that is very cheap business for that rate. They come themselves and pay at the office.

Q.—There is no other agent's commission on it? A.—Not usually no.

Q.—There is sometimes? A.—There may be a stockholder lately would take one, but in the first place this was to start the company.

Q.—What conditions existed that made you depart from that method of paying your agents? A.—The main condition that existed was that under all the circumstances of the business and the field, our men charged with the duties of filling the field with agents could not get men on the old terms. Some other company was always bidding higher for any desirable man than these terms we were offering and they could not get the good man

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and the bad or poor man, the ineffective man we did not want. We had to met competition in that sense. The competition for agents, I may say to the Commission, the point where competition exists mainly is the competition for agents. That probably has been brought to your attention and that is where for example the great American companies coming into this country have forced a departure from some of the sound lines, by their competition for agents. They have come and simply gathered in the most effective men unless these men were tied by large renewals.

MR. KENT: Every witness has said that he was perfectly willing to be virtuous and honest if he could be free from evil communications, principally from American Companies? A.—Just so, then the safe place for these people would be the penitentiary where they would have no communication with the outside. I was pointing out, Mr. Kent, the point where competition reaches us. We have been speaking of competition from time to time as an element in the business. Now the competition is at that point, the securing of agents. It is not so much in the field soliciting business although of course it is there too but it is the other place that you feel the competition.

MR. TILLEY: Your directors practically control the stock of the company do they not? Taking them as a body? A.—Very nearly. Every director has a few friends amongst the the stockholders that support him or have every confidence in him and whose vote he could have, so that in that sense I admit that.

Q.—So long as they stand together they are a close corporation? A.—Yes.

Q.—You regard it as good business policy, do you, to keep well invested in mortgages and so on, not leaving any of your funds idle at any time? A.—We don't leave any idle if we can help it.

Q.—And if you err at all, probably you err on the side of being over-invested? A.—Well as a matter of fact we are almost all the time slightly over-drawn in the bank.

Q.—That means over-invested? A.—Yes, we do that deliberately, do it on purpose, because so long as that is the state of affairs all our own funds are earning interest.

Q.—What rent do you pay on overdrafts? A.—Five and a half per cent.

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Q.—And there is no loss having regard to the average rate of interest last year, by reason of having a little over-draft? A.—No, there is a slight gain. The main object is simply to keep all the funds working.

Q.—At the end of 1903 your over-draft was \$23,300? A.—Yes.

Q.—Did you do anything to prevent that being apparent? A.—No, it is there. It is in the return.

Q.—You did not at all slight it? A.—No.

Q.—At the end of '04 it was \$15,000 and '05 \$8,000. Is that a fair average of the way your bank account would stand at that time? A.—Do you mean a fair average during the year?

Q.—Yes? A.—It will vary from nothing to twenty or thirty thousand dollars.

Q.—And you do that deliberately do you say? A.—Deliberately. As loans come in we cannot make it even, we would either have a considerable balance idle in the bank for days or a month or we would have to have a little over-draft. We prefer to have a slight over-draft as a rule and we keep it from going too high. We refuse loans to keep it from going too high.

Q.—You take a temporary accommodation in order to keep your money out on long date mortgages? A.—Yes, that is better financing than the other way.

Q.—Is there anything in the suggestion that insurance companies should have some of their money in investments that can be quickly realized? A.—I don't think there is any necessity for it and as the company grows larger the daily and weekly income is sufficient to take care of all sudden calls upon the company. As we experience it it is so. I think it would be so with a larger company as well. It is very different of course you know from a banking business where a very large proportion of fluid assets must be kept because the call may be sudden, without notice. In our case there can scarcely be any call imagined without notice. Even the presentation of a bunch of policies if they matured suddenly together would not be absolutely without notice; we would have at least a few days before we had to pay them.

MR. LANGMUIR: You could always melt some mortgages?

A.—Oh yes, we have always got debentures and mortgages that are certainly saleable. But suppose there

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was a financial crisis and we could not readily realize on anything; even then the ordinary income would take care of any expenditure that I can imagine within the bounds of possibility.

MR. TILLEY: Will you explain these documents which will be Exhibit 359. You charge up here commissions and medical fees. A.—This is a 15 pay life, \$2,000.

Q.—Is this an exact copy of the way you have your book ruled? A.—An exact copy of the ledger as far as this goes.

Q.—Of your ledger account? A.—Yes.

Q.—And you have one of these accounts with every policy? A.—Yes.

Q.—The moment the policy is issued it is entered in the book? A.—No, about a year after, when the year's entries can be made.

Q.—Explain the keeping of that account and what the different items mean? A.—This charge \$8.02 is the commission actually paid in this case. A very small commission paid evidently. This is a stock-holder's son, one of those that came in cheap. Perhaps this is not as good a sample as some of those later.

Q.—I just want to ask you how you do it. Is that the actual commission paid on this policy or is that this policy's share of the commission paid in the year for first year's business? A.—There is a little mix up about that. These two items together contain the whole cost charged to the policy. We changed the method a year or two later so that I am not very sure of this.

Q.—Have you one showing how your present accounts are kept? A.—This will do and will give you a more satisfactory statement. We had to learn a few things at the beginning. This is \$1,000 straight life. \$14.76 is the initial commission charged.

Q.—Is that the commission on this policy in particular? A.—It may not be. It is the average with other people all the year.

Q.—The share that this policy should bear of the first year's commission? A.—Yes that is the idea of it.

Q.—What is the next item? A.—\$7.92. I would have to get the clerk that keeps that book. The next I think is the general expense charge. It seems high there. That is also one of the early ones, one of the 1891 ones. \$7.92 must be the expense charged, that is the policy's share of running expenses of the company. This is the mortality charge \$3.25, the cost of

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carrying the insurance. \$11.80 is the Government reserve.

Q—These are all the items you charged up against the policy in the first year of its existence? A—Yes.

Q—Amounting in all to \$37.73? A—Yes.

Q—On the credit side you have the premium \$24.60 and \$1.23 interest on premium? A—Allowed him in full.

Q—Leaving the balance of \$11.90 owing to the company in respect of that policy? A—Yes, in a sense the company has advanced that, which is just about the reserve. That is carried to the debtor side of the next year \$11.90. Then we add to that \$1.48 a renewal collection charge; \$4. share of expenses for the year; \$3.54 actual assessment for mortality; \$23.90 the second year's reserve.

Q—That would make the amount of the debtor side of the policy account at that time \$44.82? A—Yes.

Q—On credit side you have \$24.60 for the premium? A—Full premium again.

Q—\$11.80? A—Brought over from that side.

Q—That is your credit now the reserve of the first year? A—Yes.

Q—Which is set aside for the reserve for the second year which you have put on the debit side? A—Yes.

Q—You credit \$1.82 interest leaving a balance still of \$6.60? A—Yes.

Q—You carry the account forward to the next year, put in the items in the same way and it leaves there a balance on the debtor side of 87 cents? A—Yes.

Q—So that the policy has paid for itself? A—We say it is now self-sustaining at the end of the third year. There was usually at that time sometimes a few cents one way or the other according to the kind of policy, the variations depended on little variations in loading which were corrected in this in reality. For example if the loading on a different kind of policy was a little lower or was longer in getting out by reason of that, it corrected itself. The reserve is at the end of the policy year, not the calendar year. Then these credits after this, here we come to the end of the 5th year where we have a credit balance of \$16.90.

Q—A debit balance isn't it? A—No, it is a credit balance. It is on the debit side. We then use that to purchase him a bonus addition of \$30. at the end of the quinquennial period. The value of that would be carried over here as a reserve, as a liability

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against the company and so on right through.

Q—Is that done every year? A—Yes, we keep that going continuously.

Q—Does the keeping of an account such as that with each policy involve much expense to the company? A—Well I don't know that it does. At present it occupies a good deal of the time of one of the clerks in the actuarial department, but she does a good deal of other work besides; work related to this in some way.

Q—Have you been keeping the accounts of the policies in that way since the commencement of your company? A—Yes, that is to say we started I suppose in the second or third year to do it.

Q—And does the policyholder ever get a copy of that account? A—No, I don't know that we have ever been asked that and of course it would involve an immense labour to offer it generally. If anybody wanted to know we would be pleased to show him his account. I have done that many a time. We have perhaps had a policyholder call and ask some question and I would show him the policy ledger and how it was kept. In about five minutes he would see for himself how the matter is done. It appears to be satisfactory to the policyholders, but to give them copies would involve immense labour and expense and if mailed to them, for the most part would be unsatisfactory for want of explanations. I find policyholders are well pleased if they get a reduction in premium every five years and that reduction is getting greater every five years, it is very satisfactory. It has been so so far with us; we have been able to do better every quinquennium than we did before, and as the vulgar would say there is no kick coming in that case.

Q—I suppose that the debtor balance on the policy that you have been referring to in the first two years is entirely due or almost entirely due as was indicated by that to the putting up of the Government reserve? A—Of course the debtor side of the account for the first year is made up largely of the cost of putting it on the books and the reserve on the other hand, the two together create that adverse balance.

Q—The reserve required by the Government was very high? A—Yes.

Q—It was a substantial amount to pay? A—Yes.



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Q.—I am not saying it was a cent too high? A.—Yes, a substantial amount.

Q.—It is a serious item that probably the insured does not think of when he is taking out his policy?

A.—It does not affect him particularly at any rate.

Q.—Would you think it advisable to commit the company to keep a less reserve in the early years of a policy?

A.—There is an argument in favour of the view, and yet I fear the present result would be to open the door to extravagance inasmuch as it might loosen the present restrictions and lead to the too liberal use of money for the extension of business.

Q.—It is suggested that if you in some way worked out a criterion or standard by which the company could measure what its expenses should be and aim at keeping within that, that probably they would be more economical, but you think by not putting up so much reserve it would simply give them more funds? A.—Give them more rope, I think the effect would not be beneficial to those companies that are inclined to be conservative in management and endeavour to meet the present conditions with all their restrictions and yet keep on the right side.

Q.—You think then that the present system of requiring the company to keep up the full net premium reserve is quite satisfactory? A.—I would favour the continuance of that system. I am not in favour of a term reserve the first year, as this system has been called.

Q.—You have had that before you? A.—Yes, for the reason that I think it would open the door to undesirable practices, it would let down a bar which I think upon the whole in the interests of the business ought to be kept up.

Q.—Do you think there is anything to be gained by restricting the expenses of the company by legislation?

A.—I don't think so; I don't see how it could be practically done without hampering the business as conducted by the most conservative company.

Q.—The object of the reserve is, I suppose, to insure the company shall be solvent? A.—Certainly. When a man pays his first premium on his policy the company becomes indebted to him to the amount of that reserve at once. That policy is analagous to the issue of a debenture of a muni-

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cipality, and a sinking fund ought to commence with the first issue, a sink fund should commence at the same time and run on all fours with the other.

Q.—You would say that unless the amount of that reserve is required for solvency it should not be insisted upon merely to make the companies economical? A.—No, the other is the argument for solvency; I was looking at the point from its practical side just when you put the question the other way.

Q.—Is the mortality up to the Hm. table here in Canada? A.—Is the experience rate of mortality equal to the table? No, not usually.

Q.—Why? A.—Though, last year, if you will allow me, we happened to be hit heavily last year, it came close to the standard rate, it never happened before, it may not again, it does not usually, it is a matter of accident.

Q.—Your death loss was practically up to the expected? A.—Very nearly.

Q.—According to the table? A.—Yes.

Q.—So that there was no gain of any amount went last year from that source? A.—Not much.

Q.—But that was an exception that probably proves the rule— A.—At the same time it proves the possibility that such a thing may happen any year to any company through a coincidence or accident. Two or three heavy risks fell in. The heaviest of that might be considered purely accidental.

Q.—The expected mortality might even be exceeded? A.—It might, it was in our case two or three times in one branch, very small.

Q.—Was that in the Women's Section? A.—In the women's branch, and then to make it average, in some years it was nil, the same branch.

Q.—Because that might happen would be no reason for requiring a reserve which was not required under normal conditions; you are bound to have these exceptional circumstances some years? A.—No, but it is a reason for keeping the margin on the right side, being on the safe side, keeping a surplus undistributed, keeping up the proper healthy standard of risks and all that; the standard of reserve measures the real liability.

Q.—Although in the early years of a policy the full reserve was not required for solvency? A.—It was the

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new policies that happened to fall in that hit us so hard last year.

Q.—Would you lay that down as a rule that a company should not be regarded as solvent unless it has the full reserve in the early years? A.—I think that should be the test of solvency, theoretically it is, and in practice it is very unsafe to depart from it.

Q.—Do you charge anything against the policy in your account for management expenses in the first year? A.—We don't now, we charge the full expense of keeping it on the books as nearly as we can, ascertain in broad and general terms, and we omit the other, believing that the old business should take that off the shoulder of the other.

MR. LANGMUIR: Have you experienced any excessive mortality in any part of the Province over another? A.—There is nothing noticeable in that respect.

Q.—For instance Manitoba? A.—No, we have very little there, one or two losses only, nothing marked at all that I could now cite as being at all instructive in any way.

MR. TILLEY: Q.—Your endowment business exceeds your whole life business? A.—Yes. Speaking of that, Mr. Langmuir, I might say one of our oldest agents came to me some time ago and said, "I think you ought to allow me a bonus, I have been with you now eleven or twelve years, and I have a considerable amount of business on my books and you have never had a loss." I said, "You had better wait a little longer and see the average," and the next year he had three or four losses.

MR. TILLEY: Q.—Your endowment business is a good deal larger than the whole life business? A.—Yes.

Q.—And larger than the limited payment life? A.—Yes.

Q.—In fact it is about equal to both of them? A.—Yes, I think so.

Q.—Do you urge your endowment business? A.—No, all the urging we do is along the line I mentioned a little while ago.

Q.—Is that what the public seem to want now? A.—I think they do. They like to look forward to the day and say, "If I am living, and I hope to live to see myself at sixty, or whatever it may be—I shall get that money to help me in old age." That is the strong inducement; it is the argument for life insurance,

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and the public seem to value that very much. I do myself; I have five or six policies, and there are two of them only due at death, and the others are all endowments.

MR. LANGMUIR: Q.—Would not you think it would be safer to some not to have insurance during the lifetime in order that the widow should have it? A.—I dare say that is true.

Q.—You find in a great many instances it is the case? A.—Some people I suppose are not fit to be trusted with money, but that won't be a very strong argument against endowment or any other insurance. Some people have been left money by indulgent and economical fathers and we know what happens, the money is a curse to them instead of a blessing, but it is no argument against economy or the laying up of an estate for one's family. We have endeavoured to provide, and most other companies I think do the same thing, that a man may leave his policy to his family, and that the company shall pay it out in instalments to run for a lifetime or for a limited number of years. I think most of the companies are doing that, it is an option, and it is not taken advantage of to any large extent, just a few cases.

MR. TILLEY: If you paid your commissions on the basis of a commission on the life premiums I suppose you loaded your premiums in the same way, did you? A.—Our premiums run now and have been since 1900 exactly uniform with the majority of the companies, and you have that loading given in previous testimony, 20 per cent. ad \$3 constant.

Q.—Prior to that how did you load the premiums? A.—Well, I could hardly give you an exact rule. I laid out mine with a tolerably uniform percentage loading; then I found when I came to compare it with our competitors that here and there I was a little up or down, and I had to meet that sort of thing, but when we came together and most of us agreed, we agreed on this after much discussion as fair and reasonable and a desirable loading at the rate we have just mentioned; then we fell into line.

Q.—Took the uniform rates? A.—Yes.

Q.—I suppose it is fair to say there was no systematic method of loading

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in the first place applicable to all policies? A.—I do not think there was, because everybody had to consider what his competitors in the field were doing and to be governed to some extent by reference to that.

Q.—Especially a new company? A.—A new company must, any company; you cannot afford to set the pace and do not do what other people will do. Two tailors on the same street will do the same thing.

Q.—You have the usual forms of policies? A.—You mean different classes?

Q.—Yes? A.—Yes.

Q.—Have you all the different varieties? A.—No, I suppose we have not; there are many sub-varieties and small distinctions and classes we have not. We have I suppose all the leading types of policies. I understand some of the large companies have as many as 200 different forms; they have at least a great many. We have no such number as that.

Q.—On your policy you make the statements contained in the application for the policy a matter of warranty by the assured? A.—Yes.

Q.—Is that usual with companies now? A.—I cannot say whether there has been any change lately or not, that is our form from the beginning, that phraseology is.

Q.—Have you ever had any case where you have refused to pay because the statements were untrue? A.—Yes, we have had I think two cases of dispute.

JUDGE MAC TAVISH: In all? A.—I think that is all on that ground of warranty in the application which was untrue and was a serious and material mis-statement.

MR. TILLEY: You do not put that in your policy, you do not say anything about the materiality of it? A.—The Court would.

Q.—You say all statements and representations contained in the application for this policy the assured warrants to be true? A.—The Court would hold they must be material, and anything not absolutely material we would never think of disputing the case. You have to make the language broad or less the interpretation be too narrow.

Q.—Would not it be fair to put it just what you wanted to cover? A.—You cannot specify item by item what you want to cover. The Court will rule severely against the company in any case, and properly so,

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because the company lays out the form of the contract, and the Court will hold the company strictly to the interpretation and the assured less strictly, and I quite agree with that part on the part of the judiciary. We must then make our contract as broad as possible and leave it to the Court in the case of dispute to say whether this is a material misrepresentation or not, whether it induced us to insure when we would not.

Q.—In the conditions in your policy you have it provided that after three full payments the policy shall not become void by non-payment of the premium thereon within the thirty days of grace, but shall continue in force as a term or temporary assurance for such a period as four-fifths of the legal reserve (first deducting any indebtedness due by the assured to the company) will purchase considered as a single premium at the company's rates for temporary assurance at the age of the assured when the unpaid premium fell due, this is what we call extended insurance. If a man has paid three full premiums on any form of policy we carry him irrespective of any action or non-action on his part, we carry so long as the reserve in our possession will enable us to carry him.

Q.—So long as four-fifths of the reserve— A.—That is simply providing for a proper loading.

Q.—That is to say you give him term insurance for that length of time? A.—Yes, we continue insurance.

Q.—If the death of the assured occurs within said term of temporary assurance the company will deduct from the amount of the policy the amount of the premiums forborne at the time of death, with interest thereon at 7 per cent. compounded annually. Provided also that during the continuance of said term insurance the assured may at any time without medical examination reinstate this policy as fully as if no default had been made, by paying all premiums due thereon with interest at 7 per cent. compounded annually? A.—Yes.

Q.—You make that provision without any medical examination? A.—Yes, sir; we continue the insurance, and if he resumes payment before his insurance is done he comes on again without any question whatever except paying up.



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Q.—You treat the reserve fund as an amount you loan to him to pay his premiums practically? A.—It might be considered in that way; we do not treat it in our books in that way.

Q.—You act on that principle? A.—Yes.

Q.—As though he had borrowed that money from you and his policy was fully in force during that time? A.—Say he had paid us in all \$100, of which we have \$60 left in reserve. We have used up \$40 of that in carrying him those three years. There is still \$20 due to him. We carry him as long as the \$20 will last, and if he resumes payment within the time this \$20 is carrying him he goes on as before. We have very many instances of that occurring, a man taking a rest through stress of circumstances and inquiring after a while what there is to pay, and they resume, some of them after a lapse of several years.

Q.—You have a provision here in case of dispute there shall be arbitration? A.—Yes.

Q.—Have you ever acted upon that at all? A.—No.

Q.—Do you regard that as being of any value to you? A.—I am not sure it is, it looks well on paper, that is about all. It looks well, and it has never been acted on. We have only had two disputes, one went to Court and the other did not. It is there in earnest if anybody chooses—

Q.—It is binding on you? A.—Yes.

Q.—Whether it is binding on the other party it is a different matter? A.—It is a matter of law, I suppose it would not be, because no man can contract himself out of his rights in the Court.

Q.—I don't know? A.—Perhaps the Judge may not hold with me.

Q.—I want to put in your form of policy loan agreement and the claim papers? A.—Yes.

—Form of policy filed as Exhibit 340.

—Form of policy loan agreement filed as Exhibit 341.

—Copy of claim papers filed as Exhibit 342.

—Copy of profit and loss statement for 1905 filed as Exhibit 343.

Q.—The policy loan agreement provides in this way, "And further that until the said principal money and interest is fully paid to the said company, its successors or assigns, the

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then subsisting policy hereby charged shall notwithstanding the provisions of paragraph number 5 under the heading "Privileges to the Assured" on the face of said policy, or any other provisions or agreements contained in said policy become void by the non-payment of any premium thereon within the thirty days of grace, and shall not in case default is made in payment of any such premium within the thirty days of grace aforesaid be thereafter continued in force as a term or temporary assurance or otherwise howsoever." Under this clause in the agreement the assured would lose the benefit of the provisions in the policy—"And further that if at any time the amount of principal and interest owing hereon, together with any further or other liens or charges then held by the company, its successors or assigns, against the then subsisting policy hereby charged, shall equal or exceed the then cash surrender value of such policy according to the company's usual surrender value tables, the company may declare such policy cancelled and the same shall, upon such declaration become void and in such case such cash surrender value shall be credited as a payment on this or such other liens or charges in such manner as the company shall think proper." A—Loses the benefit of the extension clause when he takes the loan, that is he must now pay his premiums promptly, that is within the thirty days' grace.

Q.—And if he does not pay them within the thirty days' grace he loses the benefit he would otherwise have of extended insurance? A.—In other words he cannot have his loaf and eat it; he cannot take it out of the company by way of a loan and then get the benefit of it by way of insurance.

Q.—That is not I think a fair way to put it? A.—That is the intention.

Q.—No; supposing I have a loan of just half that I am entitled to, and there is still money due me in the company's possession, why should I forfeit— A—You mean some remains of the loan value?

Q.—Yes. A.—In that case we would not enforce that under the strict rule, because in almost every case the loan takes the loan value when the policy holder takes everything.

Q.—That could be very easily expressed, and it is expressed in your policy, because the policy specially provides that it shall four-fifths of the reserve less anything owing to the company, and if the amount of the

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loan eats up that fund then there is nothing with which to pay for the term insurance, then why have that clause in here? A—We were advised to make this very specific because the parties might catch us just on a sort of doubtful place.

Q—It is not special to your company only, but it is not unfair that a man because he wants a loan on what is an asset of his must forfeit some of his privileges under the policy in order to get that loan? A—I do not see how you can protect the company except by some such provision as this.

Q—You have the company protected now because you provide that the fund that shall pay for the term insurance shall be four-fifths of the reserve less the loan—A—He gets out two-thirds of the reserve as a loan usually.

Q—Supposing he gets one-third of the reserve? A—That occurs very seldom, I don't know that we have a dozen such cases.

Q—That does strike one as being an unfair clause to have in the document, because I suppose you know people who take these loans do not take these documents and read them through? A—I don't know how we can help it.

Q—You must not write anything in, but so long as you have it printed everything goes? A—We have to guard the company against a claim arising.

Q—You are not guarding the company against any real chance, because under your policy the loan he is to get is stated, and if that wipes out the fund that is the end of it? A—You think that will be unnecessary, is that your contention.

Q—That is what I was suggesting? A—Then it is redundant.

Q—No, it puts the policy holder in this position, that whereas formerly he could let his payment go by and still have some rights, and still reinstate without medical examination, because he has a loan, he must watch the exact date, if a company wanted to be sharp with him?

Q—In practice we watch him. We dun him and warn him over and over again before we cancel that. It is the company may cancel it. We try our best to keep that man on our books. As a matter of fact I do not think a case has ever occurred in which any hardship has ever arisen. No man has been written off the books until he has been written to again and

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again and until he has been asked to pay at least one premium.

Q.—That does not provide the company may, this provides in this way that the policy hereby charged notwithstanding the provisions of number 5 shall— A.—It excludes that provision.

Q.—“Shall not in case default is made in payment of such premiums within the thirty days of grace be thereafter continued in force as a term or temporary insurance or otherwise howsoever?” A.—We do not, we write to him and ask him and urge him to save his policy from lapse. What I mean to insist upon is that no practical grievance really exists on that matter, although possibly your contention might be maintained as a matter of interpretation.

Q.—I am criticising the form of the wording, not your practice in regard to it; I am not saying you abuse it at all? A.—I did not understand you to say we had.

Q.—You have furnished a gain and loss exhibit? A.—Yes.

Q.—You have been accustomed to make out these in the conduct of your business? A.—Not in this form.

Q.—Have you after a form of your own? A.—We have explored the subject in our own ways. This does not agree with the way we keep our books.

Q.—In order to make it uniform for the purpose of the Commission it does not answer to your books? A.—No, it is not as illuminative to us practically as the way we have been doing it ourselves. I am not criticising this at all. It so happens it does not fit in with our book-keeping comfortably at all.

Q.—Do you think it would be well to require these gain and loss exhibits to be prepared by companies each year? A.—For publication in the blue book?

Q.—Yes? A.—I don't know what gain there would be obtained from that.

Q.—Some thought it would and some thought not. It shows how the first year expenses are comparing with the loading and margin for expenses and so on, shows what progress is being made year by year? A.—I doubt whether the exhibition of this form of statement to the public, which of course is the object of publication in the blue book, I doubt whether it is particularly illuminative to the public. A few experts would be able to follow it up and understand it, a few

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accountants and actuaries and the like; I fear the general effect would be somewhat misleading, and it might lead to unfair comparisons being drawn by agents and others as against other companies, they have this material to work on, and they could work it up into a statement that might not be fair, and they might do that even without intending to be unfair.

Q.—Your first year premiums amounted to \$8,667.68? A.—That is loading.

Q.—Would that be the loading on the policies that were written in that year? A.—Yes.

Q.—The net expected death losses in the year 1905 in respect of policies issued in that year \$4,126.79; that was the net expected death losses in respect of policies written in that year? A.—For that year; that was taken in this way: those written in the first 6 months we took for 9 months, those written in the last 6 for three, making nearly the same as 6 months or a half year round.

Q.—Why did you do that? A.—Because policies written during the year had only an average duration of 6 months, we had to carry them another six months, so that the expected death losses would be one-half of the year.

Q.—A portion of the death loss in respect to these losses would be in the following year? A.—Yes, and this first item is a theoretic one, expected death losses, that is only given for the half year, but now take the next item less net actual death losses in that year in respect of such policies, it is twice as much, \$8,234.50. The policies would have to go on till the 30th June of this year to complete their year, and not a single dollar of that is recorded in this last 6 months, and my point is that this kind of statement made up in this way therefore would tend to misleading deductions.

Q.—You have probably tried to make the computation with a little too much detail, and probably a little more than was anticipated in this case? A.—I thought we were following the instructions exactly as we knew how.

Q.—There would be in the year 1905 an expected death loss in the first 6 months with respect to the policies of the preceding year? A.—Yes, of this amount carried on or thereabouts.

Q.—So that it would be double that? A.—And then we did not experience any, as a matter of fact.

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Q.—So that if you had taken the whole year your actual and expected would be pretty nearly equal? A.—Yes.

Q.—And the way you have computed it you made it one-half by taking the 6 months only? A.—Yes, it was just a matter of pure accident that in the last 6 months of the year this happened to come in and none in the next 6 months with respect to those same policies; but that only accentuates my point that a statement of this kind must be received with grains of allowance.

Q.—The total margins on your first year premiums would be \$4,559.97 according to the way you computed it; expenses \$36,592.79; or a loss with respect to first year business of \$32,032.82? A.—Yes.

Q.—Do you know whether your expenses as compared with your first year premiums were about normal with your company during that year? A.—Do you mean the expenses of the business of the year?

Q.—Yes? A.—I suppose so.

Q.—Do you anticipate paying out the whole of your first year premiums in expense? A.—Not quite; that will appear somewhere, if not in this statement there will be another showing the difference—there is another statement, I think it is on the next page of the return showing the distribution of expenditure. You will find the total expenditure as charged with this is \$36,592.79. The first year premiums is about \$3,000 higher than that.

Q.—So that you were within your premiums? A.—The ratio of expenditure to the first year's premiums was 92.6.

Q.—That is under 100 per cent? A.—Yes. By first year's premiums I mean the cash receipts on the first year's premium account for the first year as shown in the Government statement. I mean by expenditure the expenses we actually paid out in the same twelve months as shown in the Government statement.

Q.—Taking the calendar year in both cases? A.—Yes.

Q.—Your expected death losses then for the 1905 business, \$46,520.83? A.—Yes.

Q.—And your net actual death losses \$30,773.50, making a profit there from that source of \$15,747.33? A.—Yes.

Q.—How does that compare with what you regard to be the fair aver-



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age? A.—It is a little higher than our usual experience.

Q.—What is the usual experience? A.—It varies a good deal from year to year, but it runs anywhere from 50 to 70 per cent.; if you take several years together it runs about 60.

JUDGE MAC TAVISH: That is about 66 per cent.? A.—Yes.

MR. TILLEY: Do you regard that as being a permanent source of profit to the Canadian companies, a gain in mortality of that nature? A.—I think a little of it is.

Q.—The rest of it is accounted for by what? A.—We are working on the British Mortality table of a number of years ago, of 1863; and I think it is safe to say that the average mortality in this Canadian climate amongst Canadian people, well nourished, and living as a rule under healthy circumstances, will be permanently somewhat more favourable than that of English experience in the earlier part of the last century; the conditions of living, sanitary and the like, have changed somewhat in favour of longevity; we may therefore fairly and safely build on at least some percentage of favourable mortality. Then as long as a company is growing at a healthy rate, putting on say from 12 up to 20 per cent. of new business each year compared with old, adding a fair proportion of that again, there will be such infusion of new blood as will tend to keep the mortality below the true average of an insured and permanent business, that is old business on the books, the new business added to it will reduce the average mortality somewhat, and will keep it reduced for a century to come.

Q.—By reason of that selection and medical examination? A.—Yes, a certain proportion of fresh, selected lives coming in every year will tend to keep the mortality below the table rate, and that I think accords with the experience of all American companies.

Q.—The extent to which it will be below the table rate to some extent depends on how much new business the company is writing? A.—Yes, somewhat.

Q.—How many of the lives are new, and how many are old? A.—Yes.

Q.—You had reserves released by surrender and lapse \$12,709.73, and you allowed as surrender values \$3,710.08, about one-fourth or better? A.—Yes.

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Q.—How is it with the clauses that are in the policies now as to getting continued term insurance and other privileges of that nature that you realize such a benefit from reserves released by surrender and lapse? A.—There is a little margin; in the case of each of these parties who goes off the books by the expiry of the extension, four-fifths of it—

Q.—So that there is 20 per cent. saved there? A.—Yes.

Q.—That would not account for that though quite? A.—No, but there are several distinct items that account for that.

Q.—What would be the nature of them? A.—That was one of them, the reserve released by policies that expired say at the end of the second year, not renewed. There is no surplus of course but there is a portion of the reserve; that will come into this item, and quite a few lapses occur at the end of the second year.

Q.—That is reserve which has been charged up to the debit side of the policy account is released although the policy might not yet have a credit balance? A.—Yes, and the difference between that and the debit balance which remains unprovided for would appear here, so that there is a profit there.

Q.—Your surrender values are allowed after three premiums? A.—Yes.

Q.—So that in the first and second years— A.—Those that lapse then leave a portion of their reserve, since the reserve has already been charged to us there is not all the gain shown here, not a real gain, but there is an apparent or book-keeping gain, inasmuch as we have been already charged as taking in as a liability a certain reserve we have not received.

Q.—That does not constitute a real profit? A.—No, but is a releasing a liability.

Q.—Getting it back? A.—Yes.

Q.—So that a great deal of that item would be just a return of this \$32,032 of the first year excess business by reason of policies lapsing? A.—Yes, a good deal of that is in the corresponding item to this the year before.

Q.—By reason of the policy not being persistent? A.—Yes.

Q.—The total profits were \$49,230.76, less \$32,090.37, or net profit for the year \$17,140.39? A.—Yes, a good deal of that went to the payment of dividends and bonuses and

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the like to policyholders, went into the liability in that form.

Q.—Do you pay excessive salaries in the Head Office? A.—Some people think so.

Q.—Yours was very low at the commencement? A.—Yes.

Q.—And I do not know that one should describe it as very high yet?

A.—I heard the other day of a certain friend of mine who was told by another friend the salary I got, and he said "I am astonished, there is no man living worth that amount of money." So you see there is room for difference of opinion.

Q.—What salary was he referring to when he was saying no person was worth that? A.—A salary of \$3,600.

Q.—You would not agree with him? A.—He thought \$1,000 was big enough for anybody.

MR. KENT: Would you be in favour of an amendment to the law which would permit your policyholders to vote in person at your meetings? A.—I don't know that I would seriously object to it, I don't know that it would do any good or any particular harm; I cannot see any objection or any benefit.

Q.—Some witnesses have said they are entirely opposed to it, some that they are entirely in favour of it? A.—Yes, I suppose so; there will be as many opinions as persons.

Q.—One was frank enough to say he would be entirely in favour of it if he knew beforehand how the policyholder was going to vote? A.—A good deal would depend on how wide that vote would extend. Supposing for example they were to vote on the question of whether I myself was to be retained on the Board or not, why, you see, there might come to that meeting 50 or 60 policyholders with a man in view, and the first thing I would know I would be out and the other fellow in.

MR. TILLEY: That would be a shame? A.—Of course it would.

MR. KENT: That does not happen in a small company? A.—No, there are some safeguards; when you come to our friends of the Mutual they will tell you all about that. I could tell you now, but I think it would come better from them.

Q.—You think they will make an open confession to-morrow? A.—I have no doubt they will, just the same as I have done to-day. I will tell you in a word, you must have in any in-

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stitution of this kind sufficient provision for continuity of management under all ordinary circumstances, and behind that there ought to be some provision for getting rid of rascals if they prove to be rascals, but ordinarily there should be a provision for safety and continuity of management in any company, mutual or otherwise, and I have no doubt they will show you how they provide for that in a purely mutual company, and they are quite right in providing for it. They must in order to safeguard the interests committed to their charge provide for reasonable continuity and safety of their management.

Q.—There is a great deal to be said, and you can reply with a great deal of force, and I would prefer a direct opinion either one way or another, because as a Commissioner I have certain recommendations to make when we are through and I want to bolster them up by the evidence of men like you who have been a long while in the insurance business? A.—So far as I can agree with you I would be very glad to help you.

Q.—You don't know just how I feel on the subject? A.—I would answer any question Your Honors have any disposition to put.

MR. TILLEY: Q.—You have answered that as far as you care to answer it as to policyholders voting; you do not hope to see the day when policyholders will have a vote in the Dominion Life? A.—I do not really think it is desirable; of course if legislation turns that way—I do not see any strong reason for it. I think in buying insurance a man is in many respects, in most essential respects, very much as he is in buying any commodity. Suppose I want to go to Europe; I buy a steamship ticket; I cannot in the very nature of things examine the engine and the ship and the ship master on the subject of navigation, for one thing I do not know enough about it, and for another I have not time. I cannot then have anything to say about the control of that ship. I buy the ticket and expect the company to see I am carried safely according to the laws of navigation to the other side of the ocean. Now, if I buy insurance I do not care about the management as long as it is decently conducted, I do not want to interfere, I do not want to take time from my business for that purpose. I pay and I want these things, first, that the institution shall be se-

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cure above all things, secondly they will do their best honestly to give me return for my money; I trust them to do that on their honor, I do not want to be bothered—

JUDGE MacTAVISH: Q.—You surely do not suggest that a man taking an ocean trip runs the same amount of risk that a man does insuring his life? A.—He takes a great deal more, but he does not bother about the management of the vessel all the same.

MR. KENT: Q.—But you see, supposing you get on board a steamer, one of your friends comes in and says "I believe that this is an old tub, I heard a man say he did not think we would ever get to the other side," perhaps you would run ashore as soon as possible? A.—I go to a reputable steamship company, I depend on the general reputation of that company as widely known, and I take my chances on the rest.

MR. TILLEY: In insurance matters you put yourself in the insurance company's hands, and then you remain there by necessity for twenty or thirty years if you live long enough, and you cannot get out? A.—No more than you can walk off the vessel in the Atlantic for a certain number of days.

Q.—I suppose when you were getting up the premiums you also got up estimates? A.—Yes, we fixed estimates.

Q.—Fixed them how much too high? A.—We thought we were pretty conservative at the time, we fixed them about as low as any other estimate we could find on the road, and then we tested them by different calculations, that if interest was so-and-so and if mortality was so-and-so, and if we could keep our expenses as they were at the start we could meet those estimates.

Q.—Do you say you put all those ifs in the book? A.—No, but in our mode of calculation.

Q.—You did not let the insurer know there were so many ifs about it? A.—He knew there were ifs, because they were estimates and not guarantees.

Q.—How did the results agree with the estimates? A.—The results came out a little lower than the estimates.

Q.—There was no possible chance of coming higher? A.—There was at first, but certain things happened, interest went down and sundry expenses uncontrollable by us went up, and these two things worked against us and spoiled the estimates.

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Q.—If that element had not entered into it would you have realized the estimates? A.—Pretty near I think.

Q.—Do you think it is right to publish these estimates? A.—I don't know when answering that question with a Yes or No, do you mean any wrong doing it?

JUDGE MacTAVISH: Fair to the public? A.—Well, if the estimates are conservatively made up, and the public want to see them we could give them as estimates and no more.

MR. TILLEY: Q.—It is not for the Dominion Life to put out estimates or profits less than other companies? A.—I think ours are amongst the lowest now.

Q.—In the new book? A.—Yes, I think they are as low as any, and let me say that our present premiums, these estimates look more like being met, or very close to it as far as we have gone, we have now some six years' premiums in, and they appear to be earning about the rate we calculated, so that I do not think the estimates are very far wrong.

MR. LANGMUIR: And now you have Northwest loans? A.—That is helping us to meet them.

MR. TILLEY: Q.—At the time the estimates were made you did not expect the interest to be so good as it is? A.—Nor we did not expect the taxes that came on since to work the other way.

Q.—The taxes do not bear much? A.—Yes they do.

Q.—Have you ever made any loans without any security at all except on policies? A.—No.

Q.—I notice that in 1893 there is a resolution that the application of the Ontario Mutual Life Insurance Company for a loan of \$9,000 be granted at 5 per cent. A.—I would not call that without security.

Q.—What security did you get? A.—That company is considered very safe, as good as a bank, safer I think than a bank.

Q.—Was there any security given to you for that loan such as is authorized under the Act? A.—No other security than the company itself in the shape of a deposit receipt, so it amounted to the same thing.

Q.—Did you get a note? A.—The form was a deposit receipt as nearly as may be the way the bank writes it.

Q.—That is you just gave them the \$9,000, and they paid you 5 per cent. interest on it? A.—Yes.



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Q—And you got no security in the way of property pledged to you? A—No.

Q—That was improper? A—I don't know about that.

Q—Are you allowed to lend your moneys except on securities under the Act; why could you loan them to another insurance company any more than you would loan them to a private individual without security? A—There is no possibility of loss in that case.

Q—I am not asking the possibility of loss. I am asking you about compliance with the Act, carrying out the Act? A—That is the legal point.

Q—Call it whatever point you like? A—I am not sure but what it may be objectionable from that standpoint, but it certainly is not in the point of security.

Q—Have you ever made them any other loan? A—I think that is the only one.

Q—Have you ever had any loans from them? A—No.

Q—That was a loan made of \$9,000 without any security, have you made any other loans without security, let me ask you again? A—No, I had totally forgotten about that when I answered awhile ago, I do not think there is any other case.

Q—Have you made any other loans to any insurance company? A—No.

Q—Do you know how you came to make that loan without security? A—We happened to have some money lying idle in the bank and they were overdrawn and it was a matter of arrangement between us.

Q—How long did that last? A—I don't know, I suppose a couple of months.

Q—That was the only transaction of the kind? A—Yes, to my knowledge.

MR. GEARY: I wish to get from you an approximate estimate of the amount of business in a year that would be written by what you would call a first-class agent? A—That is a matter of opinion and a good deal of flexibility is to be allowed in the answer.

Q—We will speak of a man who wrote \$100,000? A—Yes, we consider a man a pretty good agent who would write \$100,000, although in some instances you will find he will possibly double that, but very rarely.

Q—He would be a very good man? A—Yes.

Q—How much would be a fair average premium? A—If I were making a list of agents and classifying them

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I would put in the first class \$100,000 and upwards.

Q—What would be a fair average premium on the \$100,000 of business? A—It varies between \$30 and \$40.

Q—Would \$30 be a fair average? A—No, it is a little better than that, possibly between \$35 and \$40. This varies a great deal.

Q—I understand that thoroughly? A—I am speaking now of our own, I fancy \$36 and \$37 would be close to the average per thousand as things run.

Q—The average commission on that business would be what? A—That is not to be answered off hand either; the commission is graded.

Q—Would 50 per cent. be a fair average? A—I suppose so, you might put it as a reasonable average.

Q—We can say a \$3,600 business would net that man a commission of about \$1,800? A—I suppose so.

Q—Could you tell me what the rebate would be? A—No.

Q—Ten per cent. or twenty or thirty? A—That is just a pure guess, I am quite in the air about it. Some of my men I am pretty sure rebate a little percentage, possibly ten or fifteen or even more, and then there are others that I think I am correct in saying have ever rebated. Some in country districts I do not think rebate at all.

Q—Of that \$1,800 some would likely be rebated? A—Yes.

Q—Leaving a pretty small amount for a first-class-man? A—Yes.

Q—That means the \$1,800 might be reduced very considerably by travelling expenses and rebate? A—Yes, reduced greatly by travelling expenses.

Q—The agent is the man who suffers? A—Yes.

Q—As you have said in your examination one result of this inquiry is going to be the disseminating of knowledge in regard to getting rebates? A—Incidentally, but that is blaming nobody.

Q—And it is going to be a rare case I presume where a man will not have to give up some of his commission? A—I don't think it will be quite so bad as that.

Q—It will be worse than it is at present I fancy? A—I hope not. The general condemnation of rebates will cause many honorable men to refrain from pressing for them.

Q—Do you think that you can count on that? A—To some extent, there is some sentiment left in the world yet.

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Q.—If the effect is to inspire others to ask for rebating the agent's position is going to be—A.—No better.

Q.—It is going to be worse; and the necessity for an anti-rebate law is very apparent in his interest? A.—I think so, in the interest of everybody connected with it.

Q.—You do favor some anti-rebate legislation? A.—Yes, I was one of a deputation that waited on the Government a couple of times in that matter.

Q.—You have not suggested any particular form of legislation? A.—Yes.

Q.—What would it be? A.—I think to be effective anti-rebate legislation should do at least two things; there should be a fine upon the agent of say twice the premium involved, and the policy itself should be made void; on that last point I would rest the whole hope of anti-rebate legislation proving effective; if the policy is void the man won't take for it, and if he does not want it he won't ask for it, and the agent would not want to give it.

Q.—You get back to the agent as the responsible man? A.—He is one of them.

Q.—Why not punish the man who takes the rebate? A.—By making the policy void you do that.

Q.—Why not a drastic punishment by way of a fine? A.—I believe the Legislature would not give you that kind of legislation; they would say the policyholder is innocent, they would take that view of it; he is the innocent party, and you must not be too drastic with him, he will be tempted by the agent.

Q.—Would you think enough of the remedy to propose getting it? A.—Yes, I did ask for it.

Q.—That is one of the things you think should be got? A.—There are the two things I asked Mr. Foy and Mr. Whitney to give us in the proposed legislation.

Q.—The agent, as you have told me through these figures we have put together, is a man who does not appear to be earning more than a man of his ability in business should get? A.—No.

Q.—The insurance agent is a good class of man to-day? A.—Yes.

Q.—It is a legitimate business where brains are a necessity? A.—Yes, he is a man of peculiar skill and peculiar ability in his calling, and he deserves to be well paid and better paid than he is.

Q.—And your first-class man, which is a rare thing, as I have heard before, is allowed \$18, out of which he

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has to pay his rebates and incidental expenses? A.—Yes.

Q.—The reduction of commissions, then, while reducing the initial expenses of the company, is not going to enable you to retain the agents you should have? A.—If the commissions are further reduced?

Q.—Yes? A.—There would be a limit to the extent to which you could reduce them, but if rebating were effectively done away with I think the agents would be willing to accept a slightly lower grade of commission than they have now, and part of it would come back to the policyholders in that way; but it is to be remembered in comparison with former days the cost of living has increased and the expense of travel as well, and our agents and nobody else can live at the old figures.

Q.—You have raised your commissions with that view? A.—Because we were compelled to; like every other corporation, every other institution, we are buying services at the market price, or you may say the lowest market price; we are not paying agents the large sums because we wish to, but the necessity of the case compels us to pay for the services and these men are not to blame for getting the payment they get.

Q.—It has been urged on the other hand that pressure from the inside, constantly the edict going forth to the agent to get more business, bring in the business is what is responsible to probably almost an entire extent for the rebate? A.—I do not see the practical bearing of expressing that view at all, for this reason, that the pressure brought upon agents is simply analagous to the pressure brought upon every selling official of every kind of institution to go on with his work and do business. Take the commercial traveller, take anybody who is selling goods, is not the firm always asking him to push and branch out and do business?

Q.—Does it not in the end come to your telling him to buy the goods; you are giving him a large commission, telling him he has to bring out and buy the business and bring it in; that is, he has so much distance he can come and go on in competition with agents of other companies? A.—These two things do not necessarily follow, they are not necessarily connected in any way that I can see.

Q.—You cannot give your assent to that? A.—No.

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Q.—Have you given, in your office, bonuses to agents? A.—Not for a number of years, I do not think we have had a case of granting a bonus for a number of years—you refer now to something held up as a price near the close of the year.

Q.—Yes? A.—No, for years back.

Q.—How long back? A.—Six or seven years ago; it was a trifling matter at the best.

MR. KENT: What was the prize? A.—A small cash prize.

MR. GEARY: According to the minute of November 16th, 1897, there were three prizes for the three most successful agents for November and December? A.—Yes; that would be nine years ago nearly.

Q.—And agents not receiving the prize would be given an extra bonus of \$2.00 per thousand; what were the prizes? A.—The first was \$100, and the second prize was \$50, and the third prize \$25, I think, and \$2.00 a thousand for such—

Q.—Is not \$2.00 per thousand for business written in those months a pretty substantial bonus on that? A.—Yes; those days remember our commissions were, as compared with to-day, very low.

Q.—That is done with the idea of getting as much business on the books as possible to show in the annual report on the 31st? A.—To make our closing a little ahead of the previous year.

MR. KENT: What would happen if that agent met a man that wanted to insure in the Mutual Life, would not it possibly result in some form of rebate? A.—Possibly.

MR. GEARY: Is it not probable, to say the least? A.—In that time rebates were not much in evidence.

Q.—In 1897? A.—It was not so bad as it has been since.

Q.—Were these bonuses given before the system of rebating had become in vogue? A.—It was in vogue always in some sense, I suppose, but not so widespread and not so much said about it till within the last few years.

Q.—You did not hear of the evil of rebating to such an extent at that time? A.—No, it had not become evident that it was a serious matter.

Q.—You think it was brought about by this very system of offering prizes? A.—This was a very small affair.

Q.—It may not be a very small affair because \$2.00 a thousand may

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be very considerable, and that is outside the first three prizes. Was that done because you saw perhaps in that year your business was not going to finish up as well as in other previous years? A.—Probably it was not finishing up as well as we would like, and we were willing to give that for pushing the business.

Q.—You are willing to say that the bonuses given for a certain amount of business written before 31st December is a matter that will induce rebating? A.—As matters are now I will admit that; I do not think it necessarily had that tendency to any such extent then.

Q.—Are you quite sure this is the last year that sort of thing obtained?

A.—Speaking from memory I could not say there was any more; I would not say positively there was not.

Q.—Was it continued within the last two or three years? A.—I think not.

MR. ROSE: (the treasurer of the company): I think not, that is the only case I know of.

WITNESS: I did not consider we were getting a healthy class of business; I thought it was apt to induce business that might lapse.

Q.—You would get business on your books that was got there under high pressure? A.—Yes, and we thought it was undesirable to continue that plan and so far as I can remember we have not done it again.

Q.—And that is the natural course of any business that is brought along by false pressure of that sort? A.—Yes; and you see as in any other business we experiment along different lines, and when we find a thing objectionable we withdraw from it.

Q.—Mr. LeBeuf suggests I find out from you if you could tell us what was the result of that system of extra bonusing during the two months? A.—We could ascertain; I do not remember sufficiently to answer.

Q.—I would like you to let us have a statement of that? A.—Very well.

Q.—You have paid certain dividends to your shareholders? A.—Yes.

Q.—As interest under the statement which you submit here? A.—Yes.

Q.—And certain dividends have been paid to policyholders? A.—Yes.

Q.—Those of course are not in the proportion of one to nine at all, if we treat them as dividends your argument I understand is interest—? A.—The shareholders' is their own interest.



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Q.—Out of what amount will that shareholders' interest be paid, your annual statement presented to the annual meeting showing a surplus on the year's operations? A.—Yes, that shows we are safe in paying the dividend.

Q.—Before that statement is submitted and accepted do you allot or transfer to the shareholders' account the amount of interest which has been earned? A.—No, no entry made in the books at all until the Board has decided the question of dividends, and they do that on the statements after they are audited at their meeting which is just before the annual meeting.

Q.—In deciding that question what form would it take, a declaration that a certain amount remained? A.—No, they do not take up the question from that point at all; they simply decide what dividends they are going to pay after seeing the statement warrants it. There is no division of funds.

Q.—Is there an amount of surplus on the year's operations treated as profit? A.—No, we have not come to touching on the profit of business at all.

Q.—Perhaps I am using a technical word, I mean the surplus earnings on the year's business? A.—The surplus of last year is compared with the surplus this year and the difference if it is increased is increased earnings.

Q.—And that is adopted by the meeting? A.—I do not know that I can say it is adopted, it is simply laid before the Board for information.

Q.—Is it a matter of terminology as to whether the surplus earnings shall be called profits or interest earnings? A.—It does not come up in that form with us.

Q.—Is it quite fair to say that these surplus earnings so declared are profits? A.—What surplus earnings?

Q.—The surplus earnings so declared in your annual meeting as shown in your annual statement? A.—As shown in our statement?

Q.—Yes? A.—Well, if the surplus has increased that is clear profit, evidently.

Q.—And declared so by the adoption of your reports? A.—That is a matter of implication; they do not formally declare.

Q.—After that formal passing of the account and ascertainment of the surplus earnings, you then and not till then pay your interest on capital stock? A.—Yes, it is the last thing

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done after the whole matter is before the Board.

Q.—You do not say these profits have been in any sense declared, and that that is paid out of them? A.—No, we do not say anything to that effect at all.

Q.—You would not admit that? A.—No.

Q.—That is an argument that is raised against your argument; your argument is simply to the effect that they are simply paying interest on the money they have in the company; the policyholders' argument is you have no right to take any more than one to nine? A.—We have no earnings of the company as such at all by the shareholders.

Q.—Your view is opposed to that of the policyholder—? A.—My view is simply a matter of fact.

Q.—It is a question whether interest earnings are profits; you say they are not, that they are interest earnings which should be paid to the shareholders? A.—Their own money has earned that, and the policyholders own money has earned the rest; I think that is clear.

Q.—Have you had many complaints in regard to profits apportioned to your policies? A.—No, I would not consider them many; I suppose we get once or twice in two or three months not so much complaints as that they want explanation and that terminates the matter.

Q.—Does that arise as a usual thing from the fact that the policyholder does not understand his policy? A.—Does which arise?

Q.—The complaints? A.—Yes.

Q.—The complaint that is made with the profits? A.—Perhaps so; in fact I think I am safe in saying that about the only complaint that does reach us is occasionally from the women's branch, where the profits have not reached as much as they did in the other, and we have to explain the mortality was heavier, and give the facts and figures.

Q.—You see no reason for any further explanation being given at the time the policy is received? A.—We instruct our agents that it is the wisest course to explain the policy as clearly as they can, usually showing a sample of the kind he is going to take if possible, go over it and explain it to him. I cannot say that is done in every case, and I say when that is done carefully in the great majority of cases the man will have no further trouble.

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Q.—Will he understand on what basis he will get profits if he gets them at all? A.—I suppose he will.

Q.—What would his understanding be, that he simply trusts to your extra interest bearings and lower mortality?

A.—The agent will explain to him the profits are derivable from three possible sources.

Q.—Does the agent explain that, the composition of the office premium? A.—It depends a good deal on the intelligence and knowledge of figures the man may possess how far he will follow that. The agent must be tactful, and if he has a man before him who understand figures and accounts and their bearing he ought then to explain very distinctly; if he has not he will only confuse and lose his man.

Q.—So that you think you had better leave him alone in such a case as this? A.—What the man can comprehend is this, "I have to pay so much for my insurance, and if I die my family will get that much money, and profits as they may be declared."

Q.—You would not attempt to explain the profits? A.—I would not with an unintelligent man.

Q.—Can you explain any system upon which he might base expectation of profits? A.—I would if he were an intelligent man.

Q.—Assume possibly I might understand, would you mind telling me, I would like to know how I could figure out where my profits came from? A.—I could not say that, but I could state the principle.

Q.—You could not say you would get your profit loading extra? A.—He would ask me first of all what do you mean by loading.

Q.—Cannot you tell him the difference between the non-participating and the participating policy? A.—That would not be loading.

Q.—It is loading? A.—It is partly loading.

Q.—Can you tell him that partly loading for the profit policy is money he should get back with compound interest? A.—I should tell him he probably would, and a little more than that.

Q.—You had nothing in your books to show that extra amount of profit loading will come back to the man with compound interest at a fair rate? A.—No, I don't think we have anything in the books that just

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touches on that in that particular way.

Q.—You cannot segregate that at all, you simply have to take the general question of increase interest, gain in mortality and so on? A.—Yes, and saving, if any, on the expense loading..

Q.—Does it not come down to this, that profits are nothing more nor less than a matter of actuarial opinion? A.—I don't know what you mean.

Q.—The profits are not absolute, one actuary will tell you made so much profits, and another will tell you you made so much less? A.—You mean the profits are distributed according to the matter of actuarial opinion?

Q.—Yes, one actuary will give you a different set of profits from another? A.—Slightly different, there would not be much difference; there might be a slight difference.

Q.—We were told by one of the actuaries that was supposed to be rather eminent in his profession here that profits could not be ascertained on a concrete basis, they were simply a matter of actuarial opinion? A.—They can be approximated with sufficient accuracy for all practical purposes.

Q.—It is chance? A.—It is a chance in this sense, that it depends upon the successful management of the company whether there shall be profits.

Q.—That is not a chance? A.—Yes, it is.

Q.—That is no chance you take, it is no gamble at all events? A.—No, a gamble and a chance are two different things.

Q.—Have you semi-tontine policies, deferred dividend plan? A.—Yes.

Q.—The whole force is what I ask you with regard to chance in the ordinary policy applies to this? A.—We give a man either five year distribution or a longer term for distribution, according to his option and desire as expressed on his application.

Q.—The tontine man gets at the end his profits and the profits of those who have dropped out during the period? A.—Those are distributed to the survivors of that period or class if we may so term it.

Q.—Have you had some mature? A.—Yes, a few.

Q.—Can you say in regard to them what the extra amount charged has

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netted, or the rate rather which was given the assured? A.—You mean if you regard the premiums he paid in to the company as a deposit with compound interest on that year by year as though they had gone into a savings bank; we have reached three per cent. on that as a matter of fact, and some instances showed under, and one or two instances showed over.

Q.—That is the profits? A.—No, that is the actual result the same as if the man had deposited in the savings bank with annual interest.

Q.—The whole premium? A.—Yes.

Q.—Will you give me a statement of that? A.—I can show you examples of that. There are slight variations, some might vary one-quarter of one per cent.

Q.—Have you compared the mortality in the abstainers' section with the general section? A.—Yes.

Q.—Which is more favored? A.—The abstainers is a little more favorable in a series of years; here is a statement.

Q.—Have you different rates? A.—The rates are the same.

Q.—The mortality is lower in the abstainers' section? A.—It is somewhat upon the whole. The abstainers' has the advantage on the whole, but in the same year you will see there is sometimes one and sometimes the other ahead.

Q.—And the profits being kept separately the abstainer gets the full benefit of the lower mortality rate in your company? A.—Yes.

Q.—How much of your surplus are you keeping for your deferred dividend policies? A.—It is not divided in that form; part of that surplus is undivided on the five year distribution people's cases, the larger part belongs to the deferred dividends.

Q.—And the rest of it is undivided surplus that will go into these individual policy accounts year by year? A.—Yes.

Q.—Would the addition of these individual policy accounts show the full surplus? A.—Yes.

Q.—That is you apportion every bit of your surplus in here? A.—Yes.

Q.—That is an addition of them all? A.—And the addition of the debits taken from them will show very close to this figure. We tested it not long ago, and we came within a very small amount shown there, it would not tally.

Q.—The individual policy accounts do tally with your surplus? A.—Yes, but they would not tally exactly,

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it was close enough to show our system was working out according to the books of our account.

Q.—Is this an irrevocable allotment of any amount in any year, or do you hold them subject to change during the quinquennial? A.—Yes.

Q.—If a person died during a quinquennial the beneficiary would get— A.—No, he does not get those small margins, he gets the whole of what is due at the last quinquennial, it may not have been all allotted to him at the time in any distinct form in bonus addition, but whatever is left goes to him.

Q.—One dying three years afterwards gets none of the profits? A.—They belong to those who survive to the end of the period.

Q.—He would not get his share of the fraction of the quinquennial? A.—No.

Q.—Don't you think he should? A.—No, I think that belongs to the system of five year distribution.

Q.—That system is elastic to this extent that we do find companies who break the quinquennial system at death? A.—If so they are running a purely annual system.

Q.—They say no, they hold up their hands in horror at the thought? A.—I agree there, I think it would be unwise.

Q.—On what score? A.—On the score of great fluctuation year by year, taking one year at a time; you know about five years the average.

Q.—So that you are in accord with those who say the quinquennial is proper, the annual distribution of profits is not? A.—Not in the strict form.

Q.—Is not feasible or proper for an insurance company? A.—I think not.

Q.—It enables the insurance company to hold larger sums of money in hand? A.—But they need to for safety sake.

Q.—Why do they need to hold surplus in hand for safety sake? A.—Because if they do not keep a substantial surplus—

Q.—From quinquennial to quinquennial? A.—They must keep in some form—

Q.—You have your capital stock untouched, with \$400,000 of liability? A.—Which we do not propose to trench upon at all.

Q.—You rely for the strength of your reserves upon the surplus you can maintain? A.—Yes.

Q.—And not on your capital stock?



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A.—That is the second line of defence in case of calamity.

Q.—And the third? A.—Is the subscribed capital on that would have to go before the policy itself would be in danger.

Q.—The surplus you are holding, and you speak of nursing, is held by you always at such an amount that will insure you against any difficulty? A.—We hope so.

Q.—Is it not right to say your capital stock ceases to have its uses then? A.—No, that would not be a fair deduction from that.

Q.—What use is your capital stock—although you went into that with Mr. Tilley you did not expressly confine yourself? A.—It is the second line of defence or barrier against final insolvency; the first is the floating or undivided surplus.

Q.—As a matter of fact, as you told Mr. Tilley, it is rather a confingent danger? A.—The second is the capital stock which is an endorser of the whole institution, management and everything else.

Q.—Have you any requests from your directors since that last call of stock for liberty to pay up further? A.—No—you refer I suppose to paying more than 25 per cent., so as to get rid of their paper liability—

Q.—Yes? A.—No, we could not admit that, that would make an inequality between the stockholders.

Q.—Your directors have not been pressed to be allowed to take up? A.—No sir, I would not say such a thing was ever mentioned, that has never been seriously considered at all.

Q.—You had some of the Sao Paulo, did you get any bonus stock with that? A.—No.

Q.—Did you hold any bonus stock? A.—No, don't own a dollar of stock of any kind.

Q.—You have no surrender values printed in most of your policies? A.—Cash surrenders, no, we don't give them except in certain cases which we may take up on their merits. We don't promise them.

Q.—Would you mention a case? A.—In the case of a man who became insolvent and was insured for a heavy amount and he represented to us the hardship of keeping up the insurance and we made a specialty of his case and gave him the full surrender value. That was not set out in his policy.

Q.—When have you set it out in response to the request of the policy-holders? A.—We don't set it out; we

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don't give cash surrenders except at the end of the tontine periods.

Q.—Has it ever been done? A.—No.

Q.—Ever been written on your policy, the guaranteed surrender values, can you recall a case? A.—I am not sure that there has not been a case or two in which in response to special requests it has not been done, but it is not a general practice. I don't recall the cases but I have a shadowy recollection that the thing has been applied for in one or two cases and may have been granted.

Q.—Do you know why? A.—I suppose the man wanted it.

Q.—I would infer that, but have you no idea of any special circumstance that led you to grant it on his request? A.—No, I don't know anything further than the agent asked if we would do this. I think it was cash surrender, either that or loan value.

Q.—You search your mind very carefully and you can think of no special reason? A.—No, I don't know of any. I don't think there was any special reason except the agent's desire to close the risk. I don't think there was anything else. I don't know the party at all.

Q.—Have you ever issued any policy at lower than the public rates? A.—We have issued the non-participating rates.

Q.—That is a published rate is it not? A.—Yes.

Q.—I don't care about that. Have you ever issued any policy at lower than the rates published? A.—I think we have issued possibly 3 or 4 policies in competition with other companies' rates.

Q.—You have gone below your printed rates? A.—Yes.

Q.—Purely from competition? A.—Purely from competition, to meet a certain rate or do without the business.

Q.—You have not hesitated to meet a certain rate? A.—Well yes I hesitated because I think there were only three or four cases in existence in which I have done it.

Q.—There is nothing useful in getting further particulars? A.—No, there is nothing in it but that we had to meet a slight reduction below our own published rate, another company's rate, or else do without the business.

Q.—Have you had agents' contracts which carried renewals after cessation of connection with the company? A.—We have one.

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Q.—There is a liability under that?  
A.—Yes.

Q.—Is it shown in your annual return? A.—No.

Q.—How is that? A.—I don't know that it can be shown very well because it does not exist until, unless and as the premiums are paid in.

Q.—That is hardly the case is it?  
A.—Yes I think so.

Q.—It is a liability now to be paid out of future premiums? A.—Yes.

Q.—Does it amount to anything considerable? A.—Well it is a renewal interest as it may appear, five per cent. of the Toronto agency business.

Q.—There is just one case? A.—Yes.

Q.—And you have not shown that in your annual return in any way?  
A.—No, I don't see how we could. We couldn't value it. We made an attempt to do that and we could not reach any standard of value for it.

Q.—That you speak of as the Toronto agency? A.—Yes.

Q.—Is that on all policies, the Toronto policies? A.—On the policies in existence in the agency at the time the agent's contract terminated. Not on the business now subsisting.

Q.—And unless all those renewal premiums were to drop off by reason the policy falling in, there is a liability? A.—It adds to the expense until it is wiped off.

Q.—You do consider it a liability however difficult to ascertain? A.—Yes, it would only add to the expense. We don't put it in as a liability at all, we don't take that into consideration.

Q.—You don't think it should be shown in the statement of your liabilities as a continuing liability? A.—I do not.

Q.—How long does that last? A.—Between 3 and 4 years yet. I don't know how to measure it.

Q.—I do not attempt to suggest how to measure it. A.—It will disappear after a little and will be simply an addition to the current expenses of the company while it lasts. It is so contingent in many ways that I have no means of measuring it unless you think we ought to throw in something as a liability and say so much for contingencies.

Q.—It is not for me to say; if you don't think you should show it and the Department think you should not that is all there is to it. In regard to the size of your company, is it the fact that a company of a moderate

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size can earn a better rate of interest on its investments than a larger company, a company running up into the millions? A.—I think so, if the company is very large that you compare with because I think it may be safely stated that a company dealing with one or two or say less than ten millions can get upon the whole by careful handling a better rate of interest than a company with say 40 or 50 or 100 millions to dispose of, for the reason that the larger company, the large one, must take great blocks of investment that will usually in the market bring a lower rate of interest. That gives a comparatively small company an advantage.

Q.—In what way does benefit accrue to a company directly from its size? A.—A certain amount of prestige in the eyes of the public is the only thing I know of. You can find men to-day, or you could a couple of years ago at all events, who would not consider for a moment taking a policy with my company. They would say oh the New York Life is the company or the New York Mutual, give me the big company, the large company, they have got hundreds of millions.

Q.—Do you consider that they are in a better position to earn profits on their policies? A.—No not at all.

Q.—As the size comes up the expense comes up? A.—I would not say that, to any very great degree.

Q.—Would it be fair to say that the deficiency in the rate of interest probably counterbalances the lessening in the expense of management? A.—Well I think most of the difference in the rate of interest would be gained for the moderate sized company.

Q.—And any saving in the expense of managing investments would not more than offset that? A.—There is no great saving in that. I think not. I think if you chose to get information from other sources quite independent of my opinions, a comparison between the moderate sized companies of the United States and the biggest ones will show somewhat in favor of the smaller. Take either the Massachusetts Mutual of Springfield or the Penn Mutual of Philadelphia, and compare them with the big New Yorkers and, I think, the advantage is in favor of the moderate sized companies. That ought to be irrespective of my company or any company here.

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Q.—You think the size of a company is an advantage in getting business? A.—I think it is an advantage in getting big risks. Some of the wealthy people think the big companies are the ones for them, although there are exceptions. I have had exceptions brought to my notice and some have insured with me, some men of wealth.

Q.—And discrimination, I suppose? A.—Well, I gave them credit for that, but generally speaking the size of a big company gives it an advantage in the eyes of the public.

Q.—Are you able to say that your non-participating business carries itself? A.—Yes, it leaves a small margin, so far.

Q.—Do you press that business at all? A.—We don't press it. We give a man what he asks for, provided he is a first class risk.

Q.—And pay the same commission on premiums? A.—No, we give a lower commission. We used to pay the same commission up to the time we changed our commission basis as I mentioned in my evidence in chief and when that was done, about the same time a number of the companies agreed on the rate that was also agreed upon by a large number of chief American companies, for non-participating business, and for the obvious reason that we could not compete with them unless we changed to the same rate. My rate was lower and made uniform with that prevailing rate on the other side. At the same time we lowered the commission because our loading was so much reduced that we could not afford to pay the high commission.

Q.—And the agents will write the business on which they get the larger commission? A.—They will, unless a man wants a non-participating policy and then, of course, they will give it to him.

Q.—Which do you most care to have? A.—I am not very particular. A little preference in favor of the participating.

Q.—You would sooner see that on your books? A.—Yes, I think the man will be better satisfied for one thing and that pleases us.

Q.—Perhaps there is a little reflex action in the field from the management? A.—I suppose so. I suppose the field takes its tone somewhat from the head office.

MR. KENT: Do you think there is any crying need for a new life in-

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surance company in Canada today? A.—There may be, sir, amongst people who have more money than brains and desire to put their capital into what is probably a losing concern.

Q.—Has there been any great need for new insurance companies within the last five years, say. A.—Not in Canada, except in the way I have stated.

Q.—Then you are not in accord with Senator Cox? A.—He thinks there is room for more, does he?

Q.—There is always room at the top? A.—Probably there is if they can find their way to the top, but for the fellows at the bottom it is pretty hard pulling.

JUDGE MACTAVISH: They have to go up by the stairway; there is no elevator to take them to the top? A.—No, sir.

MR. TILLEY: A statement has been put in regarding the business in '97; so that it need not be marked as an exhibit. I will read it now into the record. For the month of November first, the business in the years 1895, 6, 7, 8 was as follows: \$39,250; \$47,000; \$59,000; \$62,250. And then taking the month of December the business ran, \$78,800; \$49,500; \$101,250 and \$126,500? A.—Each of these was the bonus year.

Q.—1897, so that we can make a comparison of that afterwards. A.—I think the result was not very decisive of the matter.

Q.—Yes, it does not seem to indicate very much. One more question. You say the death rate in the women's section is higher than either of the other sections? A.—It is upon the whole, but it varies very much, the section being small it only amounts to about half a million insured.

Q.—You charge no extra rate? A.—No, it comes out of their profit. We don't take them on the non-participating plan.

MR. TILLEY: Then your honors, there are some entries in the books that I want to look at; I will not take time now but when we re-assemble I can put in anything that is required in regard to this statement that has been handed to me out of the books; subject to that that is all I have to ask Mr. Hilliard reserving the right to ask him anything later on should we desire to do so.

(At 6 p.m., on Wednesday, 11th July, adjourned to 9 a.m. on Thursday, the 12th day of July, 1906.)



## FIFTY-FOURTH DAY.

Mutual Life, (R. Melvin, Ex'd.)

## MORNING SESSION.

Waterloo, July 12th, 1906.

MR. TILLEY: Apparently, your Honour, the Manager of the Dominion Life is not here this morning. There is an Exhibit that is being prepared and I fancy if a number is left for it that we will be able to get on without calling him any further. (A statement prepared by the actuary of the Dominion Life will be filed as Exhibit 344.) I propose, now, to take up the Mutual Life of Canada. Mr. Millar appears for the company and I will call the President of the company.

ROBERT MELVIN, sworn: Examined by MR. TILLEY.

Q.—Mr. Melvin, you are the President of the Mutual Life of Canada? A.—Yes, sir.

Q.—And you have been a director of it from the time the company was formed or within a very short time after? A.—The date was 1870. In fact before that I may say.

Q.—You call your directors by the ordinary name, directors, not trustees? A.—Directors.

Q.—You, I suppose, are the oldest member of the Board at present? A.—I think I am the only living member of the Board that was on it in the year 1870 and I suppose, possibly I am the oldest, too.

Q.—I will put in a pamphlet containing the Act of the Dominion Parliament incorporating the company, as it has been amended by some amending Acts. They are all referred to in the pamphlet. I do not propose to go through the different sections now but to take them up as the subject matter occurs. Where do you reside, Mr. Melvin? A.—Guelph.

(Pamphlet referred to is filed as Exhibit 345.)

Q.—Have you resided there all the time that you have been a director of the Mutual Life Company? A.—Yes.

Q.—Were you engaged in other business in Guelph during that time or have you devoted yourself to the insurance business? A.—Well, about that time I retired from business in Guelph.

Q.—About what year? A.—About the year 1870.

Q.—Having been engaged in what business? A.—I was engaged in a foundry business, making steam engines, agricultural implements, stoves, and so on.

Q.—Not in any way connected with the insurance business? A.—No, but I had been connected with other financial institutions outside of that.

Q.—While you were director you would attend the Board meetings, I suppose, in Waterloo? A.—Yes.

Q.—Regularly, I think? A.—I think that when I was at home I am safe in saying that I missed only two meetings. I have been away on other business.

Q.—For a time you were Vice-President of the company? A.—Yes, Second Vice-President.

Q.—During that time did you do anything more than attend the Board meetings? A.—Yes I did.

Q.—What did you do? A.—Well, our President in those days was a member of Parliament and was very frequently away. The First Vice-President was pretty much occupied with his own business here, and as Manager and Secretary of the Waterloo Fire Insurance Company, and Mr. Bowman latterly fell back upon me and I suppose I was up then probably once or twice every week.

Q.—That continued during the time you were Vice-President? A.—Yes.

Q.—Then when you became President did any change take place in the amount of attention you gave the company? A.—Yes, I came here twice every week and sometimes much oftener than that. If I am spared after you are done and you give us a clean certificate, I intend to be out in the North West and probably take six weeks or two months there. I have been all through the country in the same way, not only there but here.

Q.—Inspecting properties on which you have security, I suppose? A.—Yes.

Q.—And looking into the condition of business in the West? A.—Yes.

Q.—And you think your time has been a little more taken up with the affairs of the company since you became President than when you were Vice-President, although even then you were attending to some of the President's work? A.—Yes, in fact if I had been in business I could not have done the business and attended to my own business. We are so close together that Mr. Wegenast

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can communicate very easily with me and I with him over the telephone on any matters coming up and any time he wants me I come up to consider personally.

Q.—Mr. Bowman was President of the company for some time? A.—Yes, up to the year 1897.

Q.—And then you were appointed President in 1897? A.—Yes, the 17th September, 1897.

Q.—Prior to your being appointed President your fees as a director do not seem to have increased very rapidly because you were Vice-President? A.—During part of the time I was Vice-President I got nothing.

Q.—Possibly you evened it up though? A.—No.

Q.—You don't think you are quite even yet? A.—No. Though that has nothing to do with it. I never asked for anything in my life and never will.

Q.—Mr. Bowman, when he was President, was drawing \$1,260 in 1891 and it continued at about that amount up to 1897? A.—Yes.

Q.—And it was increased from \$1,302.10 in 1896 to \$2,156.90. Then in that year your fees increased from \$487.30 to \$1,263.50, and in 1898 they increased to \$2,525.04. Then in 1900 they were \$3,502.58, and they continued at about that sum until 1904, when they were \$4,285.14 and last year they were \$5,241.88. What is the present arrangement that you have with regard to remuneration? A.—Just the same as that with the exception that I think the year before last they recommended a salary. You include in that fees as a director and everything else the total payments.

Q.—Yes, I understand that that schedule includes the total payments, does it not, Mr. Wegenast?

MR. WEGENAST: Yes, everything.

MR. MELVIN: There is \$200 there for travelling expenses that would come out of that. Then you ask me the question since; in the year previous to a year ago, at the last Annual Meeting, the Board recommended the passing of a by-law granting me \$3,000 as a salary. At the Annual Meeting the policyholders present suggested an amendment and carried that amendment, making it \$3,500. The meeting seemed to be unanimous, so that they increased the recommendation from the Board. I might

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say here that I wish you would understand that I never asked for one farthing either for one thing or for another, nor never would nor did in my life from anybody in connection with public matters.

Q.—Well, that is the shape matters are in, regardless of how they got there? A.—Yes, that is it.

Q.—I suppose the policyholders who attend your meetings are not many in number? A.—Oh, yes, there is quite a number.

Q.—I thought I noticed that one of your directors at the last Annual Meeting was regretting that policyholders could not be got to attend? A.—We would like to see them all there. Of course we cannot do that, but we would like to see as many as possibly can come. A good many come locally but not from a distance. We make every effort we possibly can to get them here. The date of the Annual Meeting is on the policy, on our notice for the payment of premiums, and on the receipt. We advertise in Vancouver, Montreal and Toronto, and the local papers, so that we do everything we can to get them there and we would like them there.

Q.—You are bound to do that by the statute, are you not? A.—Well, it does not define where we shall advertise.

Q.—I mean on all receipts sent to policyholders, to tell them when the next Annual Meeting will be held? A.—Yes.

Q.—Then other fees have increased rapidly or considerable in the period from Mr. Bowman's Presidency down to date. In 1891 the total directors' fees were \$3,833.95 and they continued between \$4,000 and \$5,000 until 1896 and in 1897 they became \$7,344.16. That was the year the change of President was made. They continued between \$7,000 and \$8,000 until the end of 1899 and in 1900 they became \$10,992.19 and they continued between \$10,000 and \$11,000 until 1903 when they became \$11,807.28; in 1904 \$13,155.60. And in 1905 \$13,620.02 for directors' fees and the remuneration of the President and Vice-President. Apparently several of your directors get in the neighborhood of \$1,000 or over. Mr. Clement, last year \$998.36; the year before \$1,108.34; Mr. Hoskin \$1,280.55; Mr. Justice Britton \$1,179.55. I suppose all these fees include some allowance for travelling expenses in

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coming to Waterloo? A.—Yes. I may say that the amount of business that is done now requires much more frequent meetings. The business, since I became President, I suppose has very nearly doubled. A great many extra meetings are necessary. My impression is that if we want to exercise the same care over our investments that we have been doing in the past that it will probably be necessary that we should meet another day in the month. Probably more.

Q.—How often do you meet? A.—Twice in the month, regularly, that is the Executive Committee and the Board once, but at the end of the year there are other meetings which you have got to have for this reason; at the end of every year we go over all the books ourselves. First of all we have an audit made by the auditor. After the auditor is done and his statement is before us, before we render it to the Government, we take the statement of the accounts, of our moneys expended in loans and so forth and we go over every loan that we have made and compare the amount in the statement with the amount in the ledger. We compare whether we passed that loan or not for the amount applied for.

Q.—Your auditors do that as well? A.—Yes, but I have always felt that I should be in a position to go before any meeting and state to them what I know myself, not through the auditors, but through myself.

Q.—How long have you been doing that? A.—We have been doing that for a long time back.

Q.—Do you remember when the Special Committee was appointed and dealt with the question of the auditing of the books and rather complained of the—I don't know whether I should say loose methods—but the manner in which it was done? That was September, 1898. Do you remember that? A.—No, I don't recollect about that.

Q.—Was that system of inspection by the Board in force at that time? A.—I am not sure.

Q.—The report goes on to say: "It is questionable, therefore, if the audit has been of much real value. It has probably relieved the management from some of the responsibility for examination of their own accounts which they would otherwise have felt and has given a feeling of security to the directors and policy-

holders out of all proportion to the work performed." Probably it was the result of this that made you establish the other mode? A.—No, I don't know that.

MR. WEGENAST: The practice of examining accounts and books at the end of the year dates as far back as 15 years at least? A.—Oh, I think so.

Q.—By the directors themselves? A.—Yes.

MR. WEGENAST: That is not by the full Board but by the Executive Committee. Then a code of rules was promulgated at that time for future inspection by the auditors. A.—Yes.

Q.—And have you ever had any other committee appointed to deal with that question of audit since? A.—No.

Q.—Has it always gone satisfactorily? A.—It has gone on all right since. Since that time we got a change in the Act enabling us to have one auditor and he is a chartered accountant.

Q.—You had how many before? A.—Two. It was somewhat difficult to get them when we wanted them, the two together.

Q.—You thought it would work better with one man than two? A.—Yes.

Q.—Put the full responsibility on one man rather than divide the responsibility? A.—Yes.

Q.—This report, without going into details, severely criticized the method that was in vogue at that time, and that appears to be so, notwithstanding that you had the auditors' check and directors' check, so that the check by the directors could not then have been of very great value, otherwise this loose system of the auditors would not have been in existence? A.—Well, I don't know of any actual looseness. We had not made any changes in our rules and regulations for a long time and I felt, when I came on as President, that some might be necessary.

MR. WEGENAST: I would just like to say that the report of the Special Committee which was appointed to examine into the auditing methods and business methods generally—the report you read from a minute ago—rather referred to the work that had been performed or not performed by the auditors and not to the work done by the Executive Committee.



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Q.—I quite appreciate that; that is the whole tenor of the report. I don't think I was giving any impression different to that, but I was saying that the checking by the directors could not have been of a great deal of use, otherwise that looseness in the auditors' work would have been discovered, would it not?

MR. WEGENAST: No, not necessarily. The work of the Special Committee was confined rather to examination in detail of the assets. What the committee was more particularly appointed to do was to see that the assets were there, and that they personally saw them and compared them with our books rather than go into the detail of office methods. A.—We wanted to be in a position to state that that was a correct statement of our assets as far as we knew them at the present time, that we know that they are here, and have handled them.

Q.—Now in the return you have sent in regarding organization and administration you have set out the different Boards and committees and you say you have a Board of Directors and then an Executive Committee composed of a number of directors and the Manager, appointed each year by the Board? A.—Yes.

Q.—Then you have set out the names of the directors and the persons who comprise the Executive from 1891 down to 1906, and the directors that are named here as being appointed in 1906 are the present directors of the company? A.—Yes.

Q.—I will put that document in. (Filed as Exhibit 346.) Then you, Mr. Melvin, I suppose, do not give much attention to the detail of the office work? You rather look after the investment of the funds of the company? A.—No, not the detail of the routine of office work.

Q.—You leave that of necessity to Mr. Wegenast? A.—I couldn't do it. You can easily understand, we will sometimes have forty different applications for loans. I am not saying that I pass them. Mr. Wegenast himself passes them, but we first of all go over every one of those loans. There are frequently forty and amounting among them probably, in some cases, to \$60,000. Well, if those were all going before the Board without being considered and their attention directed to the strong and weak points they could not go through it in the time, so every one of those is

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gone over, the values ascertained, we know the localities pretty well, we know the agent and his bent of valuations and so forth, and we mark accordingly. That will take up a large portion of my time.

Q.—And that is what your work consists of? A.—Largely. You see I have been connected with loaning in the Guelph and Ontario.

Q.—What position do you occupy in the Guelph and Ontario? A.—Vice-President.

Q.—How long have you been Vice-President? A.—A long time.

Q.—Have there ever been any transactions between the Mutual Life of Canada and the Guelph and Ontario Company? A.—Yes.

Q.—Of what nature? A.—Was it last year, Mr. Wegenast? I forget now. Just the once.

MR. WEGENAST: If you will allow me to answer?

Q.—Certainly. If Mr. Wegenast is sworn now we will take the evidence indiscriminately.

GEORGE WEGENAST, sworn:  
(Answers until a change is indicated.)

A.—The transaction with the Guelph and Ontario Loan Company was this. In May, 1903, we purchased a large block of Berlin Gas & Electric Light bonds, on terms that we considered very favorable. We had not the money to buy them and instead of going to the banks here, Mr. Melvin informed us that the Guelph and Ontario had considerable money on hand which it would be willing to lend us at a lower rate of interest than we would have paid the banks here. We borrowed \$90,000 from them which we repaid with interest within three months, I think. That was all the transaction.

Q.—Then you borrowed money in order to pay for these securities? (Mr. Melvin answers until a change is indicated.)

A.—Yes, but they got the money just what we paid for it. We take in deposits and we gave the Mutual Life that at 4 per cent.

Q.—I am not making an inquiry on behalf of the Guelph shareholders but only about the insurance company? A.—I wanted to show that the Mutual Life Company did not pay anything.

Q.—You had better be careful because the other company may be investigated? A.—Well, I am satisfied.

Q.—You had no other transactions with them, Mr. Wegenast? A.—No, sir.

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Q.—Now, Mr. Melvin, you had some Richmond debentures in 1903, \$24,000? A.—Yes.

Q.—And you had some in 1904? A.—I am not certain. I think it is likely we had. I don't know that we ever sold any.

Q.—Do you know what was done with them at the end of the year 1903? (Mr. Wegenast answers until a change is indicated.)

A.—I think my memory is better than Mr. Melvin's and if you will allow me I will explain the whole transaction.

Q.—Certainly? A.—Along towards the end of 1903.

Q.—What date are you referring to as "towards the end?" A.—About December.

Q.—December 31st? A.—As to what?

Q.—That you are referring to now? A.—Rather to the month of December because it has reference to the condition of our bank account. We were overloaned, that is to say a larger number of loans came in than we anticipated and our revenue was less than we had counted on; in consequence we owed the bank a certain sum of money at the end of the year. Mr. Melvin thought that would not look very well in our financial statement, that it might be subject to criticism on the part of policyholders and particularly life companies.

Q.—Who thought that? A.—Mr. Melvin.

Q.—He does not seem to have a clear recollection of it now? A.—As I go on possibly it will come back to his mind. Instead of showing that blank balance Mr. Melvin suggested and I think I concurred in it for that matter—I do not want to put the responsibility on Mr. Melvin at all—to make an arrangement with the Molson's Bank for the sale of the town of Richmond debentures, which you inquired about a moment ago. \$24,000 or \$25,000 worth. I have forgotten the exact amount. The Molsons Bank agreed to take those bonds at what they cost us, give us credit for them on the understanding that we were to take them back in the New Year. The idea was merely to pay off with part of our over investment a balance which we owed the bank. Now, as to over investment.

Q.—As to this before we get to over investment. The over investment is a small feature, I suppose that is common to a great many companies. This was a little trimming for the Annual

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Report at the end of the year? A.—I do not know what you mean by the word "trimming."

Q.—Don't you? It is well known in insurance companies around Toronto. The Secretary tells me the technical term is window dressing? A.—Well, perhaps we will have to plead guilty to that term.

Q.—Now that I use the proper, equitable expression. I suppose that if Mr. Wegenast had not told that story and you had told it, you would have put the responsibility on Mr. Wegenast, would you, Mr. Melvin? You would take it yourself as he has told the story.

(Mr. Melvin answers until a change is indicated.)

A.—Oh yes.

Q.—It was your suggestion? A.—Well, I cannot say that yet. But I have no doubt if he says so, it was. I think in looking back, of course we were very anxious to make always a reasonable showing but we never have one cent in our assets that does not belong to us. In other words, supposing that in this case we had taken those debentures to purchase others, we had taken those out of the assets, what we had bought would be in their place, but we never did anything to change the position of anything that was there.

Q.—You make a return and in that return you make an affidavit with the statement: "That they are the above described officers of the said company and that on the 31st day of December last all the above described assets were the absolute property of the said company free and clear from any loans or claims thereon except as above stated, and that the foregoing statement with the schedules and explanations hereunto annexed and by them subscribed are a full and correct exhibit of all the liabilities and of the income expenditure, and general condition and affairs of the company on the said 31st day of December last and for the year ending on that day according to the best of their information, knowledge and belief respectively." That is sworn to by Mr. Melvin and Mr. Riddell, the Secretary, on the 19th November, 1904. That was not quite correct, was it, Mr. Melvin? A.—Well, it was correct in this way.

Q.—You showed as cash in the bank an item that put there under an arrangement whereby you were to take back the debentures and return the

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cash immediately on the New Year?  
A.—Yes.

Q.—It was not your absolute property in that sense, you had pledged your own property to raise this money in effect? A.—Yes.

Q.—And that transaction with the Bank was not shown? A.—Well, I admit that is wrong.

Q.—You thought it would create a bad impression in the minds of the policyholders if they knew you had an overdraft? A.—Exactly.

Q.—Now why should not the partners you have in this company—because you are all partners, you are not shareholders—why should they not know everything about it that you know? A.—Well, I have no doubt at all that the feeling in cases of that kind is simply this, we represented our position as no better nor no worse than it really was.

Q.—You represented your position to be different from what it really was? A.—I don't know that we did.

Q.—You did not represent that you had an overdraft in the bank which, in reality, you had? A.—That is true, but we had the value for that overdraft.

Q.—You had the value with the bank? A.—I admit that what you say is correct as regards that.

Q.—Then we will leave it at that.  
MR. KENT: Was there any request made by the Bank to put a stop to this overdraft?

MR. TILLEY: Did the Bank suggest this to you?

(Mr. Wegenast answers until a change is indicated.)

A.—My recollection is that the bank did wish the overdraft paid off and the only way we could do it was in the way we did.

Q.—Why did the bank want it paid off? A.—That I cannot tell you now. It is too long ago.

Q.—Do you say that the Molson's Bank prompted you to do this? A.—Well, I am under the impression that they asked us to pay up the overdraft, but whether they prompted us to do it in this way is a different matter. I would not be sure about that.

Q.—How much was the overdraft? A.—My recollection is that it was about \$20,000.

Q.—When was the transaction changed back to the overdraft in the Bank again? On the 2nd January? A.—Early in the month.

Q.—Well, on the 2nd? A.—Yes, I suppose so. I am not sure.

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Q.—That is the one transaction put through on the 31st day of December? A.—Yes.

Q.—And reversed on the 2nd January? A.—Yes.

Q.—At the earliest possible moment that it could be reversed? A.—Yes, and I would like to say that the transaction was actually known to the Board.

Q.—To the Mutual Board? A.—Yes.

Q.—After or before it was done? A.—Before it was done. Mr. Clement and Mr. Hoskin, the Vice-President, who are present, say that the Board knew it beforehand. It was done with their knowledge and approval.

Q.—Entered in the Minutes? A.—I don't know as to that. I am not sure as to that. We can easily see. That would be in the Directors' Minutes, I think.

Q.—Then I think, Mr. Melvin, that that is all I will trouble you about, thank you. I will go on now with Mr. Wegenast's examination? A.—I think it is only fair Mr. Tilley, that I should be permitted to say that the bond in question which we sold to the Molson's Bank is a bond of the town of Richmond, Quebec, which we have authority to hold under our Act of Incorporation and still hold. It is not an unauthorized investment.

Q.—Oh yes, nothing I said, I hope, inferred anything different from that. While we are on investments, I suppose, that you were not an officer of the company at that time the original Act of Incorporation was passed by the Province of Ontario? A.—No sir.

Q.—That would be long before your connection with it. Were you in any way connected with the company when the Dominion Act was passed; that would be still a long time ago? A.—No, I think not.

Q.—In what capacity did you first join the company? A.—I was given a position in the company on the 26th July, 1880, that is twenty-six years ago, as a junior.

Q.—And in what different capacities have you served the company since? A.—I was junior for a number of years and about 1884 or 1885 I was appointed Cashier. I remained Cashier until about 1890 and about that time was appointed to a position in the actuarial department. I was Actuary for about eight years and in 1898, when Mr. Hendrie, the then Manager, retired, I was appointed Manager to succeed him.



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Q.—Were you, while in the Actuarial Department supposed to be the actuary as far as the practical work was concerned? A.—Yes.

Q.—You were doing the work? A.—During the latter part of the time.

Q.—Mr. Hendrie was an actuary, was he? A.—Yes, he was a man who was acquainted with actuarial matters to a greater or less extent.

Q.—He was a person, who like yourself, had studied it out for himself? A.—Yes.

Q.—He had acquired his own actuarial education? A.—Yes.

Q.—And then there was no other person who was styled actuary, during that time? A.—No.

Q.—Nor during his time? A.—No.

Q.—While you were actuary he was Manager? A.—Yes.

Q.—What salary did he receive as Manager? A.—At the time of his retirement and for some time previous to it, it was \$4,000.

Q.—And then he retired on an allowance of two-thirds of that? A.—Yes, about \$2,600.

Q.—Why was he paid that, as a consulting actuary? Or was it in reality a retiring allowance? A.—It was in reality a retiring allowance.

Q.—It was put on the minutes as remuneration as consulting actuary? A.—I believe so.

Q.—Would it not have been proper to have described it as it really was, a retiring allowance, a sort of pension? A.—I think there was doubt on the part of the Board whether they had any power to grant a pension to anyone.

Q.—Then they should not have done it? A.—I suppose not.

Q.—Misnaming it does not make it legal? A.—I don't know. That is a legal question.

Q.—What would you say? A.—I have no opinion on the subject.

Q.—But that is in reality what the transaction was? A.—Yes.

Q.—It was a sort of pension and the question arose whether they had the right to pension anyone? A.—Yes.

Q.—He was then in ill health? A.—Yes.

Q.—Has he ever done any actuarial work since for the company? A.—No.

Q.—Nor consulting work? A.—No.

Q.—Never been consulted since? A.—Except occasionally in regard to matters that took place at the time of his management.

Q.—Of course you will probably go

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to him for information more than anything else? A.—Yes.

Q.—But he was not advising you as to the proper thing to do under given circumstances? A.—No. Mr. Hoskin reminds me that the retiring allowance to Mr. Hendrie was confirmed at the next subsequent annual meeting.

Q.—Oh yes, I am not saying that it was not confirmed. A.—I merely mention that to bring the fact out.

Q.—As a matter of fact does the confirmation at an annual Meeting of the Mutual Life mean much more than action by the Board of Directors? A.—Oh yes, I think it does.

Q.—To what extent does it mean anything more? A.—Well, of course there are some acts of the Board that cannot be considered final.

Q.—That is the legal effect but I mean as to the practical consideration of the matter, do you get any new blood into it by having a meeting of your shareholders? A.—No.

JUDGE MACTAVISH: How often has the determination of the Board been overruled at the Annual Meeting by the members of the Association? A.—Never, that I know of.

MR. TILLEY: I am a little further than that. Do you get any new people there other than the directors, except a few local officers? A.—No.

Q.—Have you ever had any person other than a director come into the meeting with proxies? A.—Yes.

Q.—How long ago? A.—I must refresh my memory about that.

Q.—So far as I can ascertain, the transaction on the 31st December, 1903, is not in the minutes of the Executive Committee nor of the Board Meeting, so if it was adopted, it was I suppose, adopted leaving it out of the Minutes.

MR. HOSKIN: It must be in the minutes. That is impossible. A.—You have a complete copy of the minutes verbatim ad literatim, but I don't know whether it was in the minutes.

Q.—There was a time when it was resolved to have a minute book of the directors under lock and key. A.—Yes.

Q.—I suppose we got a copy of that book as well? A.—Yes.

Q.—There were no minutes but what copies were supplied. A.—Yes, you have everything.

Q.—Now, what time do you say this was? A.—In 1891 is the first record that I know of although it may have occurred at a previous time. In 1891

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a Mr. Clarke of Belleville attended the Annual Meeting with a large number of proxies and elected our agent at that point, Mr. Burrows, a director. On another occasion a gentleman from Ottawa came up with a large number of proxies and elected himself a director.

Q—An agent of yours? A—No, sir he was not an agent, he was a barrister.

Q.—Mr. Hoskin quite misunderstood me; he thought I was stating as a fact that no resolution was in the minutes about Mr. Hendrie. I did not intend that at all; I meant that no resolution was in the minutes about the Richmond debentures that was transferred. The Hendrie transaction is set out in full. You have no reason to think the other is in the Minutes?

MR. HOSKIN: No, I have no reason one way or the other. It was mentioned at the Board; that I know.

Q—Mr. Burrows, you say, was appointed in what year? A—1891.

Q—His name does not seem to be on the list. A—He was on the Board for about half an hour.

Q—He was your agent? A—He was our agent at Belleville.

Q—Why was his tenure of office so short? Did he find the duties too onerous? A—No, I don't think the duties were too onerous, nor the pay either at that time. The then President of the company, Mr. I. E. Bowman, after consultation with other members of the Board, informed Mr. Burrows that he would be very glad to have him as a director if he would instantly resign his agency.

Q.—Is there anything to prevent an agent of the company being a director.

MR. HOSKIN: We were so advised. We took the opinion of the counsel on the subject. Under the general law a man cannot be master and servant.

JUDGE MACTAVISH: He cannot make a bargain with himself.

MR. TILLEY: That may be all right for an agent. We have had lots of such bargains.

MR. HOSKIN: As agent he was a servant of the company; as director he was master of himself. That is the ground we took.

Q—And you had an opinion to start with?

MR. HOSKIN: That is my recollection.

Q—He was a policyholder.

MR. HOSKIN: Yes.

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Q—And there was nothing in the Act expressly to prevent him.

MR. HOSKIN: No.

Q—But under the general law because he was an agent of the company he could not go on the Board. Was that the end of Mr. Burrows, so far as his ambition to be a director was concerned? A—Mr. Burrows elected to remain an agent.

Q—He elected to get off the Board? A—Yes, and the Board subsequently filled the position by the appointment of the man whom he displaced, who had been left off, Mr. Baird.

Q—So that it got back to the same personnel again? A—Yes.

Q—When did the next breach occur? A—I am unable to give you the date when the other incident occurred, but a gentleman from Ottawa—for the present I would ask you not to press me to give his name—came up and elected himself a director. For many reasons he was found to be somewhat obnoxious on the Board; he made himself obnoxious and altogether was an undesirable person as a director.

Q—To the other directors? A—To the other directors and to the company.

Q—No, to the other directors. A—To the other directors.

Q—You see the policyholders wanted him, because he got on. A—Oh, well, I don't think I can consent to that, Mr. Tilley. I am not sure the policyholders wanted him. In fact I am sure they did not.

Q—They voted him on theoretically? A.—Yes in theory they voted him on.

Q—Then the only expression of opinion against him would be the other directors? A—Yes.

MR. KENT: I suppose the proxies he had gave him power to vote for the appointment of directors and not specially for his own appointment, that is what you mean? A—Yes.

Q—Or were the proxies made out for the purpose of voting for himself? A—No sir.

Q—It makes quite a difference. A—They were made out in his own favor.

MR. TILLEY: Appointing him proxy and not saying who he should vote for. A—That is my recollection. He could vote for anybody.

Q—How long did he remain? A—I think about three years.

Q—What year did he come on the Board? A—May I consult the list? His name first appears as a director in 1892. He appears to have only been on the Board for only one year according to this list.

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Q—One third of your Board is elected each year. A—Yes.

Q—And two-thirds remain and he would be appointed for a three year term. A—Yes, he would be on for three years.

Q—Is that the only other case now of where the directors have not appointed the directors for the next year? A—That is the only case I can recall.

Q—Those two cases. A—Yes.

MR. HOSKIN: He only appears for one year.

A—The reason I said I would prefer to withhold his name is this, he left Ottawa for reasons not necessary to mention.

Q—He got the proxies himself, I suppose made a business of getting these proxies? A—I think so.

Q—And was able to get a goodly number of them? A—Yes.

Q—Do you know how many? A—There is no record of proxies prior to my appointment in 1898. I have a record since then of the number of proxies that were in existence and used at the Annual Meeting but prior to that time I have been unable to find any record of them, so that I don't know how many he had.

Q—Your Act provides that no officer shall hold proxies. A—Yes.

Q—Then is it true that no officer does hold proxies? A—Yes, according to an opinion that we have on that point.

Q—Another opinion? A—Yes, we have a legal opinion.

Q—Who is the chief officer of the company? A—Robert Melvin, President.

Q—Does he hold proxies? A—Yes.

Q—How can he hold proxies if an officer cannot. A—I must correct myself in saying that; he is not an officer according to the opinion we have on that point. He is not an officer.

Q—What is the opinion you have on that? A—We have an opinion here from Christopher Robinson dated August 21st 1890. My recollection is that someone at the Annual Meeting about that time raised a question whether the President could hold proxies under the terms of our Charter and the matter was referred to Mr. Robinson and I have a copy of his opinion here.

Q—I think we had better have it because that would be material. (Opinion referred to read and filed as Exhibit 347)

Q—That is the opinion on which you have acted you say. A—Yes.

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Q—Then Mr. Melvin does hold proxies, does he not? A—Yes sir.

Q—Tell me then just the history so far as you have it recorded of the proxies held? A—I have here a memorandum of the proxies held for each of the years 1898 to 1906, giving in detail the proxies. Memorandum filed as exhibit 348).

Q—I see that some of these proxies would be in favor of the President and some other director, giving either the right to vote? A—Yes.

Q—Then are all these directors or not—will you go through and pick them? A—They are all directors on that page. Here is one a director.

Q—In 1898 William Prendergast was not a director? A—Here is a man who is not a director, Wideman.

Q—The only two gentlemen named in any of these lists are Prendergast and Wideman? A—Yes.

Q—The other holders of proxies are directors; and in 1898 there were 5966 proxies; in 1899 5730; in 1900 6090; 1901 6405; 1902 6111.

Q—1903 7246; 1904 2915; 1905 8848; 1906 8501.

MR. LANGMUIR: Have you a memo showing the number of policy-holders in any given year, and the number present at each meeting or represented by proxies—what I mean is that we are informed that this is the proper kind of an insurance association, it is the ideal form in some respects; of course in the State of New York they are maintaining that this is the ideal kind of organization; it is therefore very important that we should know what interest is taken in the shareholder's meeting, how many attend, how many give proxies, to see whether it comes up to that standard.

MR. TILLEY: That is not given for all years, but I have some information about it here? A—At the date of the last annual meeting March 1st 1906, the number of policy holders entitled to vote was 25,919; the number of votes actually cast was 8453, or 32.7 per cent of the whole.

MR. LANGMUIR: One-third of the number took an interest in it? A—Yes sir.

MR. TILLEY: And there were 8501 proxies.

MR. LANGMUIR: I think you should have this on record.

MR. TILLEY: Q—You have not it for other years? A—No sir.

MR. LANGMUIR: Q—How far do you go with the number of policy-holders and the number represented either in person or by proxy? A—



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As I said a moment ago I have only the record of last year, 1906.

Q.—Because it is very important to know that I think in considering this matter? A.—What we have is simply the number of proxies in existence since I became manager; I kept track of that part of it.

Q.—I think the Commission would like to get information of that kind, because this is held up as an ideal association for an insurance company.

MR. TILLEY: We asked for that information but they told us they were not able to give it as to persons voting in person.

WITNESS: I might say the total number of votes cast would be the total number of proxies in existence plus probably 25 or 35 at the very outside.

JUDGE MAC TAVISH: Attending in person? A.—Yes. At the last annual meeting on the first March last besides those who held proxies there were actually 35 policyholders present who did not hold proxies and who voted in person.

MR. TILLEY: And of course each policyholder who is entitled to vote is just entitled to one vote? A.—Yes.

Q.—It does not depend on the amount of his insurance? A.—Not at all, as long as he is insured, no matter what the amount of his insurance is.

Q.—It must be \$1,000? A.—No sir.

MR. HOSKIN: To be a director he must have \$1,000? A.—I would like to say also that out of the 35 persons who were present and voted in person about 28 were agents, leaving 7 persons who were not agents, those seven six were from the Town of Waterloo or Berlin and one from Toronto; that is the complete record.

Q.—For 1906? A.—Yes.

JUDGE MAC TAVISH: For a few years previous to 1906 would it be very troublesome to obtain the number of policyholders entitled to vote at the date of the annual meeting? A.—Oh no.

Q.—With that information and the number of proxies and your statement that we may add to the number of proxies 20 or 25 or 35, or some number who actually attended in person, we would have all the information we want? A.—I should be very glad to get that information.

MR. TILLEY: Would you make that information agree with the

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statement that we have here, that is commencing with 1898? A.—Yes.

MR. KENT: I suppose the only thing that will bring a full attendance of policyholders would be in the case of the Managing Director committed bigamy or some other crime, or some other directors had distinguished themselves in that respect? A.—I don't know whether the policyholders would concern themselves very much if I were to commit bigamy, but if I were to get away with \$50,000 I think perhaps we would have them all down on us, or do some other thing; generally speaking I think this can be said as a fact, so long as the Board of Directors and Management give reasonable satisfaction and conduct the affairs with reasonable care the policyholders will not trouble themselves very much about attending the annual meeting. I think, however, that any malfeasance in office would suddenly bring them down upon us, and would result in the cancellation of these proxies, because it is important to mention right here that every proxy may be terminated at will, that is it is only a power of attorney and it is not perpetual at all, and any policyholder—it has occurred once or twice in my experience, I think a policyholder asked to have his proxy returned, and they were promptly returned, and any policyholder may exercise that right, and I think if it ever occurred in the history of the company that anything were done that would be subject to serious criticism the policyholders would attend the annual meeting very largely.

MR. TILLEY: It would have to be something that the directors themselves, even if the policyholders did not do anything the directors themselves by reason of public opinion in carrying on the business of the company and getting business, they would have to put out a certain director, would not they?

MR. KENT: No, that would be locking the stable door after the horse was gone.

MR. TILLEY: That is the condition that practically exists in a mutual company, in this company? A.—I must confess I did not catch your remark.

Q.—The Board of directors in this company so far as we have gone seems to be a perfectly close corporation except on the one or two occasions

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when some one man got on the Board? A.—I think the words "close corporation" may be capable of misconception, or may be misunderstood. I would say this, that the management of the company and the personnel of the Moard have been in the hands of the same persons for a long time, and these same persons have held the proxies for a long time.

Q.—And could keep themselves in power during the whole of that time?

A.—Only by the consent of the policyholders whose proxies they hold.

Q.—And that consent would not be withdrawn unless there was something very grave happened? A.—Not probably.

Q.—The policyholders do not exercise any more right to change the management in a mutual company than in a stock company? A.—I should not think so.

Q.—It is practically the same in that regard? A.—I think so.

Q.—How many votes had the man in Ottawa when he got on the Board? A.—As I said a moment ago there is no record.

Q.—Do you know about approximately? A.—I have no idea.

Q.—Was he able to vote off all the three members that were up for election? A.—No sir, I think what he did was simply to vote himself in.

Q.—Could he have done the other? A.—I am unable to answer that.

Q.—Since the trouble you had on these two occasions what has been done in order to prevent such a thing happening? A.—I think it was about the time Mr. Burrows elected himself a director that the Board decided to offer the policyholders regularly the opportunity of voting at annual meetings by means of proxies, and at the same time bringing to their attention the fact that they have the right to attend personally and vote in person. Of course that has always been explained to policyholders as a matter of fact. My recollection is that at all events since I became connected with the company in 1880 it has always been made a feature of the company, to tell our policyholders that they are supreme in the company, that they are the company, that they may come to the annual meeting and exercise their right to vote and take part in the proceedings. That has been kept very prominent for a great many years, in fact I think from the inception of the company.

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MR. LANGMUIR: In the literature of the company does it appear? A.—Yes, almost everywhere and at the present moment right here I might just point out that we print it on the bottom of the policy so that a new insurer coming to the company for the first time in opening up his policy is confronted by this very statement, which is an extract from the company's charter, and it reads as follows: "The said company shall be composed of its policyholders who shall own and control all its property and affairs as hereinafter provided, and each policyholder during the continuance of his policy shall be and is hereby constituted a member of the said company, and while such member shall be entitled to give one vote at all annual or general meetings in person or by proxy" and ten days before its being used the proxy has to be filed with the manager. The other provision is one calling attention to the annual meeting, it reads: "The annual general meeting of the policyholders of the company shall be held on the first Thursday in March of each year."

MR. TILLEY: That is advertised pretty well in your company, you make that a feature of your company in soliciting business? A.—Of course there is this to be said in connection with the use of proxies, any policyholder having a proxy and subsequently attending an annual meeting exercises his right to vote.

JUDGE MACTAVISH: The proxy can only be used in the event of his non-attendance? A.—Yes.

MR. TILLEY: What did you do to obviate any further trouble of the nature you had with this man, did you send out circulars with proxies for the policyholders to return? A.—I can speak with a good deal of exactness about everything that has happened since 1898, at the time I became manager.

Q.—Don't give it with too much detail? A.—I am endeavoring to show my knowledge previous to 1898 is imperfect.

Q.—Take since 1898? A.—Since 1898 a circular in terms of that one such as you have there.

Circular referred to filed as exhibit 349.

Q.—Exhibit 349 is a circular you send out—each year? A.—No sir, my recollection is it has been done every two years, every second year since 1898.

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Q.—Attached to that circular is a form of proxy in which there is one name left blank to fill in, and the President is mentioned as the other proxy, and also a form of proxy in which the President and Mr. Hoskin are named; are both these forms of proxies sent out with the circular? A.—No sir.

Q.—What use is made of the different forms? A.—The proxy with the President's name in conjunction with some one of the directors has been sent out since 1898.

Q.—That would be the form where Mr. Hoskin's name is in here? A.—Yes, this in only a sample of one of them, but the other directors also have a certain number of them.

Q.—But that would be the form? A.—Yes; that is sent out with the circular. Then if some policyholder reads and objects to voting for director and asks for another proxy we send this blank form.

Q.—The policyholder does not get the form in which there is a blank to fill in the name unless he specially applies for it? A.—Unless he asks for it.

Q.—With that circular is this slip, marked A? A.—That is just the form of notice of premium.

Q.—That does not go with this other? A.—No.

Q.—Is this exhibit 349 sent by mail to every policyholder each second year? A.—No, only to those policyholders who have come on the books of the company since the last circular.

Q.—So long as you have a proxy from a policyholder you do not send him this form again? A.—No sir.

Q.—This circular reads in this way (reads). That last clause "enclose a form of proxy to be used by one of the persons named therein," is conducive in getting the voting power into the hands of the directors, is it not? A.—Yes.

Q.—And that is why it is done that way? A.—Well, of course we give the man the option of—

Q.—No, you send them this circular, and that is conducive to getting the voting power in the hands of the directors? A.—Yes.

Q.—I want to know whether the object is to get the votes in the hands of the directors? A.—I cannot say positively.

Q.—You are pretty well acquainted with the conditions, what do you think of it? A.—I think that is the net result.

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Q.—And that is effectual, is it not? A.—Yes.

Q.—How many times have you ever been asked for this form in which there is one blank space, I see even in this form you still keep the President's name? A.—Yes.

Q.—And leave one blank for him to fill in. The proxy reads this way: (Reads) (made part of exhibit 349).

Q.—How often have you been applied to for that form? A.—I don't think six times.

Q.—The result is the proxy holders are the directors with just the one or two exceptions who hold a very small number of proxies? A.—Yes sir.

Q.—What right has a policyholder to come in and get a list of the policyholders of the company in order to get proxies himself? A.—That has never been exercised, if he has a right.

Q.—Have you ever considered whether he would have a right? A.—I have not.

Q.—And would you express an opinion on it? A.—I would not care to.

Q.—Supposing I was a policyholder in the Mutual Life and walked into your office this afternoon while I am in Waterloo and asked you to show me the policy register so that I could look over the names, would you do it? A.—I think I would ask what object you had in doing it.

Q.—Why would you ask me that; first, might I ask you what business that is of yours, as a partner in the concern? A.—You might be doing it for an agent of another company.

Q.—If that is my right of being a policyholder in a mutual company why should I not be able to exercise it? A.—I am not sure you have the right.

Q.—What would you do supposing I said I won't tell you why I want it? A.—I would say "Get out of the office and wait till the next Board meeting."

Q.—Can you imagine what your Board would do? A.—I cannot imagine.

Q.—This exhibit number 350 in the form of the notice about premium you send out? A.—Yes.

Q.—And that contains the notice about the annual meeting that the Act requires? A.—Yes.

Q.—And at the top again is the full list of the Board of Directors, and then below that the officers; I see by this you as manager, are classed as the chief officer. Is that notice about the annual meeting put on all? A.—Yes.

Q.—When you became manager what salary did you get? A.—\$3,000.



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Q.—Let me ask you this, has anything else ever been done in order to get the policyholders' vote in the hands of the directors? A.—No, there has been no one employed to solicit proxies, no agent or other person has to my knowledge ever solicited proxies; the only way in which these proxies have been secured is by means of the circular letter.

Q.—Do you ever have an agent get a proxy at the time he issues the policy? A.—No sir.

Q.—So far as you know no policyholder has ever been communicated with except by mail? A.—Except by mail.

Q.—And that by the formal circular? A.—By means of this circular.

MR. LANGMUIR: Do you believe that continuity in the directorate is an important thing in an insurance company? A.—I certainly do.

Q.—Seeing the little upset that took place with the Ottawa man, which might have resulted differently, do you think that a stock company directorate can be made more effective in that way than a mutual company, or can you accomplish continuity in a mutual company just as well as you can in a stock company—of course you may be a little embarrassed in answering that as an officer of this company, but I think it is rather important to know what your views are? A.—In the first place as I said it is important to have continuity in management; life insurance is a peculiar business.

Q.—We all admit that? A.—I must beg your pardon; what I mean to say is this, it requires years of familiarity with it before a man may be said to become useful as a director. A director may be said to be of service to a company in two ways, first in regard to the investment of money. Life companies have enormous funds to invest; it is important therefore that a director of the company should have some knowledge about financial matters and about the investment of funds, and secondly he should be of some assistance or use to the company in regard to the business of life insurance as such, that is to say he ought to know a little more than the average man you would meet on the street about life insurance. There are a great many technicalities about life insurance that no man may ever hope to learn even as a director. There are however general principles underlying the business that a man as a director may become familiar with, and therefore the longer he is on the Board the

more useful he becomes; for these reasons I think it is very important that directors being otherwise unobjectionable and having these qualifications should be continued in office as long as possible, and it would be destructive of the company's business—I think I may go so far as to say that if the Board were to be year by year changed about, men for no reason being put out of office, new men simply for the sake of being a director being put on in their places, those new men having no experience and no knowledge of the business.

MR. TILLEY: Then your answer is that that is a very important thing, and I suppose if there was a danger of the popular vote of policyholders each year changing the directorate you would think that would be a bad thing to have in the company? A.—I think it would.

MR. LANGMUIR: It would be a defect in the system? A.—It would.

MR. TILLEY: And whichever system, whether by a stock company or by policyholders voting is the more conducive to the stability of the Board is the better system in your opinion? A.—Which system is the better?

Q.—The system that is more conducive to having stability in the Board of Directors? A.—Yes sir.

Q.—So that if you could get a permanent Board by reason of a stock company better than by a mutual company you would favor the stock idea; if you could get it better by the policyholders you would favor it from the policyholders? A.—No, I do not think I can go as far as that, because there is this very important difference between a Board elected by the popular vote of policyholders and a Board elected by shareholders. A Board elected by shareholders may be a close corporation that can never be removed by policyholders simply because policyholders in many companies have no vote at all, and the stockholding interest is always in control, therefore the Board of a stock company is as a matter of fact entrenched behind the stock and cannot be removed.

MR. TILLEY: Q.—If it could be removed by a popular vote you would think that is a defect—if by the system in vogue you could be removed by a vote at the annual meeting you would think that was a defect? A.—No, I think not.

Q.—You think then there would be no objection to the policyholders hav-

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ing the ability to vote out the whole Board of Directors? A.—Certainly not; I think the policyholders should in every case have the right to remove the Board for good cause, and that is the case with our company, and that is the point I would like to emphasize, because while the present Board of Directors have control of the company the policyholders have it within their power to wipe them out, if you will allow the expression.

Q.—Tell me how they can do it? A.—They can simply act in concert.

Q.—How? How can they get the list of policyholders to start with? A.—They could do that by advertising.

Q.—No? A.—Why not?

Q.—Is that the best means they have for getting a vote recorded? A.—No, the best means would be to come right to the Head Office and get a list of the policyholders.

Q.—If you knew that list was to be used to vote the old Board out and vote a new Board in would you give it to them? A.—No.

Q.—You would wait for the Board to meet? A.—Yes.

Q.—Do you think the Board would give it to them? A.—I have no idea whether they would or not.

Q.—Does your company issue non-participating insurance? A.—Yes sir.

Q.—I should not pass from that just in that way; I want to know about your salary; what salary were you given when you became manager? A.—\$3,000.

Q.—And it has been increased from \$2,250 to \$3,000? A.—Yes.

Q.—And then in 1899 it was \$3,600? A.—Yes.

Q.—1900, \$4,000; 1901, \$5,000; 1902 \$5,250 for two years; \$5,750 for 1904, \$6,500 for 1905, and this year it is \$6,500? A.—Yes.

Q.—Besides that salary do you get any commissions? A.—No sir.

Q.—Are you entitled to commissions? A.—No sir.

Q.—Your whole remuneration is in that salary? A.—Except as member of the Executive committee I am made a certain allowance; I am a member of the Executive Committee and I get an allowance the same as any other member of the Executive Committee.

Q.—That is for attending meetings? A.—No, there is a salary paid.

Q.—You get the usual allowance that is shown by the schedule, that

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goes to make up this lump sum I put in? A.—Yes.

Q.—That would bring your whole remuneration each year to how much at the present time? A.—About \$6,800 or \$6,900. I think it is \$300 I get as a member of the Executive Committee, and then there were some special amounts which were paid extra, and my recollection is it was about \$400; I would not be sure as to the dollars but it would be about that.

Q.—All under \$7,000? A.—Yes.

Q.—Mr. Earl is Superintendent of Agencies? A.—Yes.

Q.—What salary does he get? A.—\$4,500.

Q.—Does he get commissions besides? A.—No sir.

Q.—None at all? A.—No, none at all. I might say that no officer of the company gets commission, no director or officer.

Q.—T. R. Earl is in the list of agents? A.—Mr. Earl's name appears for certain large sums in commission account; that is simply due to the fact that his salary is charged to the commission account.

Q.—It is a duplication of the same item? A.—Yes sir.

Q.—There are no commissions paid to him at all? A.—No.

Q.—Is Mr. Burrows the agent who got on the Board and had the honor of being a director for half an hour, still in your employ? A.—Yes sir.

Q.—What year was it he was a director? A.—1891.

Q.—Is he paid by salary or commissions? A.—Commissions.

Q.—Was his rate of commission increased at that time? A.—No sir.

Q.—It seems to go from \$6,487.85 in 1891 to \$8,239.55 in 1892—that would be the variation that would be due to the business he wrote? A.—The natural growth of the business.

Q.—I see there was a natural shrinkage about the same amount in a subsequent year, just the variation in the business? A.—Yes.

Q.—He would be writing insurance that year?

MR. HOSKIN: He took a very large one in that year I think.

MR. TILLEY: Q.—Has his rate of commission ever been increased? A.—I think it has.

Q.—Since then? A.—I am not sure about that, I do not think so; it has been lowered as a matter of fact.

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Q.—Does he pay much expenses out of this item that is debited for him now? A.—Yes, he pays out all of his expenditures.

Q.—Sub-agents? A.—Yes.

Q.—Has he a district? A.—Yes.

Q.—What district? A.—Hastings and Frontenac.

Q.—And that is not all profit to him? A.—About one-third is profit.

Q.—The rest would be disbursed? A.—Yes.

Q.—In the way of rebates? A.—I cannot say that, I expect so, some of it.

Q.—Would it be fair to say one-half of that would be given out in rebates? A.—I cannot express an opinion as to that, I have no information at all; agents will not tell us when they rebate.

JUDGE MAC TAVISH: No knowledge you mean? A.—No knowledge about it at all.

Q.—Do the Toronto agents employ sub-agents? A.—Yes sir.

MR. TILLEY: Many under them? A.—Yes, they must have three or four, perhaps half a dozen.

Q.—Could you say what proportion of the amounts that are here for them remain with them? A.—I might say just generally that about a month ago I issued a circular letter to our agents asking them to tell me what their net income was, and I found that in almost all cases it came about one-third, it came out remarkably close to one-third of their total income from the company.

Q.—Are you applying to any particular person, or those who have districts? A.—All of them, it came out remarkably close to one-third.

Q.—Do you say you figured it up with some of your agents? A.—No, I merely sent a circular letter asking them what their net income was.

JUDGE MAC TAVISH: To all your agents? A.—All the general agents.

MR. TILLEY: Q.—Did you just put the further question, what becomes of the balance? A.—No, I did not.

Q.—Why not? A.—Well, we know that that is expenses, we know that that would be travelling expenses, sub-agents' commissions.

Q.—Not much travelling expense in the city? A.—Not in the city but outside.

Q.—Where do you imagine the two-thirds goes? A.—It goes in expense of one kind or another.

Q.—And allowances that have to be made to get business? A.—I suppose.

MR. KENT: I suppose there is a good deal of wear and tear?

MR. TILLEY: The company has been a large company for a good many years, has it not? A.—Yes, fairly large.

Q.—And in the time of Mr. Hendrie and Mr. Bowman the joint expense of President and Manager was about \$5,000? A.—I suppose that is right, you have the information there.

Q.—There are your figures, the last year, 1897, it was a little more? A.—Mr. Bowman's remuneration in 1897 was \$2,153.90, and Mr. Hendrie's salary would be \$4,000, that would be \$6,153.90.

Q.—Now the expense of management in that direction is \$5,250 to the President? A.—\$5,241.88, and my own about \$6,900 we will say.

Q.—We will increase it \$100 here and make it an even \$7,000, and then I suppose there is a good deal extra to Vice-Presidents apparently? A.—No, I don't think there is much change.

Q.—Compare it? A.—In 1897 the Vice-President got \$616.

Q.—That is one; what did the other get? A.—Mr. Taylor was first Vice-President, \$663.90, and Mr. Melvin got \$1,263.50.

Q.—Part of that year he was President? A.—Yes.

Q.—Take the year before? A.—\$487.

Q.—That would be about \$1,100? A.—Yes.

Q.—It is up now to about \$13,000 in respect of those items which would be the items paid to persons who are chiefly in the management of the company? A.—You refer now to the payment in 1905?

Q.—Yes, not to all the directors, but to yourself, the President and Vice-Presidents? A.—Yes, somewhere around there.

Q.—What is the occasion of that increase in your opinion? A.—I would like to point out that whereas in 1897 the business in force was twenty-one and a half millions in round numbers it is to-day \$44,197,000.

Q.—That is it has about doubled? A.—Yes. The total assets in 1897 were \$3,730,000, and they are to-day \$9,296,000, or nearly three times.

Q.—But the members of the company are not getting any better pro-



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fits now are they than they did? A.—Yes, they are.

Q.—They would be more in the gross? A.—Yes, and they are actually more on the individual policies.

Q.—It will be very useful for reference later, and I will put in a statement showing the business of the company for the thirty years, bringing it down to the end of 1905. (Statement filed as exhibit 351.) That will indicate then to what extent the assets under the control of the directors have increased in any given period? A.—Yes.

Q.—And the increase in assets mean increase in responsibility and increase in time that must be devoted to it? A.—Yes.

Q.—Does the Executive Committee deal with investments? A.—Yes.

Q.—And how do they proceed in dealing with loans in the Northwest, what routine do you go through briefly? A.—Would you like to know about the routine from beginning to end?

Q.—Not with too much detail, but just a general statement as to your method of getting your investments made and having the value—A.—We have agents in Manitoba and the West employed on commission. We have a branch manager in the City of Winnipeg.

Q.—Are these loan agents or insurance agents? A.—We have both; you were speaking of loans, and all I say now is in connection with loans. These loan agents of course are paid only on each completed transaction, they are not on salary; the branch manager is a salaried officer, the loan agents send applications for loans to the branch manager who culls them out, that is to say he does not send us everything, because he knows what kind of loans we would accept and what kind we would not; he sends on what is worth while. The President and I examine them when the applications are received, and to a certain extent act upon them. We also from long experience know about what the Board is going to do with every loan. Where there is any doubt about an individual loan we leave it over entirely for the Board. The President on his visits to Waterloo and I go over these loans and we accept conditionally such loans as commend themselves to us; the acceptance, however, is only carried so far that the transaction is only closed up to the point of paying the money;

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that is no money is paid out until the Board meets. After these loans are then submitted to the first meeting of the Board, whether it is a Board or Executive, and final action taken thereon. As soon as the Board approves the money is paid, meanwhile, however, in a great many cases the mortgage has been drawn and possibly registered, but in no instance is money paid until the Board actually approves, that is the routine.

Q.—And until the money is paid there is no obligation on the company to pay it? A.—No.

Q.—The company could repudiate it up to the payment of the money? A.—Yes.

Q.—And you find that system works? A.—Very well.

Q.—Do you do most of your loaning in the Northwest? A.—No.

Q.—You loan also throughout Ontario? A.—Only in Western Ontario.

Q.—Do you pay commissions on loans in Ontario? A.—Yes.

Q.—Do you pay any commissions to your directors? A.—No sir.

Q.—For getting any loans? A.—No.

Q.—And never did? A.—No.

MR. LANGMUIR: Who passes the title in the Northwest? A.—We have solicitors in the City of Winnipeg who pass the title there.

MR. TILLEY: And then that is reported direct to the office here? A.—Yes.

Q.—It does not pass through local solicitors here? A.—No, through the company's solicitors in Winnipeg.

MR. LANGMUIR: Have you inspectors? A.—Yes.

Q.—That is the man who sends in the application from the local agent, is his application inspected or revised? A.—Always. We have a resident Inspector at Brandon. He lives in Brandon because it is nearer to the centre of our business than Winnipeg, and he inspects all loans before money is paid and reports, and as a matter of fact keeps up a continuous report on all our business, that is he sees our properties continuously, as he goes in a section he makes a report and sends it in.

Q.—To see they are not getting into arrears; have you annual re-payments of principal? A.—Almost always.

Q.—Do you exact them? A.—We do in the City of Winnipeg, we insist upon them there, but in the country

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we do not, we exercise our judgment in regard to loans or where for example a loan is 30 per cent. of the value of the farm we would not exact it.

Q.—Have you arrears of interest of very much at present? A.—Very little; our experience in the West has been very satisfactory.

Q.—How does the average rate obtained there compare with your average rate here? A.—We receive fully one and a half per cent. higher interest there than here.

Q.—I see you have four and a quarter millions of mortgages out, how much of that is in the Northwest? A.—I can give the exact figures; at the end of 1905 we had in Manitoba \$932,000 in round numbers, in Winnipeg, \$746,000; in the territories \$235,000, and the balance is in Ontario, \$2,350,000.

Q.—Very nearly half in the Northwest? A.—A little under two millions in the West.

MR. TILLEY: Exhibit 352 shows that the average rate earned in 1891 was 6.17, and then it runs this way down to 1905; commencing with 6.17, 6.14, 5.94, 6.01, 5.21, 5.61, 5.04, 5.30, 5.16, 5.03, 5.04, 5.13, 5.15, 5.21, 5.24, so that your average rate has never got below 5 per cent.? A.—No sir.

Q.—Were you one of the Insurance Managers that thought the rate of interest on which the reserve was computed should be lowered because of the general decline in interest? A.—Yes, to a certain extent.

Q.—Did you anticipate that your interest would creep up to the figure it has at that time? A.—No sir.

Q.—It has been a return to rates you hardly expected? A.—Hardly expected.

Q.—Another statement that has been supplied to us which is very interesting is one as to the receipts of the company, dividing the receipts into different headings for the years 1901 to 1905; that of course you would verify as being a correct statement? A.—Yes.

Statement dividing receipts of company marked as exhibit 353.

Q.—It shows the growth of different items, some of which we have referred to already, regarding salaries and directors' fees and so on—

MR. LANGMUIR: Have you left the investment business?

MR. TILLEY: There is not much to say about the investments.

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MR. LANGMUIR: I see you have about ten million in hand, have you a difficulty in finding investments for all your money? A.—Not now.

Q.—Under clause 50? A.—No.

Q.—Are you in favor of extending the scope of investment as some of the companies have asked for? A.—To a certain extent, yes.

Q.—What do you want you have not got? A.—That point, I think perhaps I may stand alone, but nevertheless I have my views, and I state them briefly.

Q.—Do you want to go down to Mexico, Brazil, South America and these places? A.—No sir; so far as clause 50 of the Act is concerned I would suggest that permission to invest in stocks be cut out completely, I think it is a mistake to allow a life insurance company to go into stocks of any kind, but while saying that I do not wish to be misunderstood; I am not saying there are not good stocks, there are good stocks.

MR. TILLEY: If they go up? A.—Yes, but I think that portion of clause 50 should be out altogether. As to the remaining portion of that section. I think the powers of a company should be somewhat increased, enlarged, not in regard to the particular bonds or other investments which they may make but rather as to the scope or territory or country in which they may make them. I mean this, at present the Act allows companies transacting business in the United States for example, to invest its funds up to the reserve upon that business plus ten per cent. Our company transacts no business in the United States, therefore we may make no such investments except in the public debentures in any one of the States or of the Government of the United States. We all know that the rate of interest on such securities is so low that we could not invest in them; but I see no reason why our company should not be allowed to extend its investment powers to the United States to a certain extent in the purchase of municipal securities and what might be called public service bonds, waterworks, electric lighting and such other bonds as are mentioned in clause 50.

MR. LANGMUIR: Bonds, not stocks? A.—Bonds, not stocks, no stock whatever: I think stocks should be cut out completely.

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MR. GEARY: Including bonus stocks? A.—Yes.

MR. TILLEY: You think there should be power to invest in some of the foreign public securities even though you are not carrying on business abroad? A.—That is the idea.

Q.—You are not carrying on business now in the United States at all? A.—No sir.

Q.—And that being the case you are not allowed to invest in any American securities? A.—Except the bonds of any individual States, such as the State of New York.

MR. LANGMUIR: Of the State itself? A.—Yes, or of the Government of the United States, that is as I read the Act.

MR. TILLEY: You think you have the right to invest in those even although you are not doing business there? A.—I think so.

Q.—That is the statement you desire to make about that? A.—Yes.

MR. MELVIN: So far as I am concerned I am not in favor of anything of the kind. Mr. Wegenast and I always differ on that point.

MR. TILLEY: That is the position you took at the annual meeting?

MR. MELVIN: If I had my way I would prohibit any money belonging to the policyholders in Canada being invested anywhere else than in our own country. I think and I hope that for many years to come the developments made in our own country will be such that they will require and will utilize every dollar of funds we have ourselves without lending it to our neighbors.

MR. TILLEY: Q.—The office salaries have increased in amounts considerably? A.—So has the staff.

Q.—I suppose that would be due to some extent to a larger volume of business? A.—Yes, entirely.

Q.—And not to extravagant salaries? A.—No, I don't think there is an extravagant salary in our office, and if I may be pardoned for saying so, commencing with myself down.

MR. KENT: We have not yet had a witness that acknowledged his salary was extravagant.

MR. TILLEY: The salaries increased from \$14,770 in 1891 to \$28,422.63 in 1905: do you know to what extent the staff has been increased in that time in number? A.—I think it has been multiplied by three.

Q.—During that time? A.—Yes.

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Q.—The salaries are not multiplied by three? A.—Yes, but meanwhile certain positions in the office have become far more important, and the persons holding these positions were entitled to an increase in salary.

Q.—You say the staff has multiplied by three; I was pointing out the salaries were not multiplied by three? A.—That bears out what I said.

Q.—That must come hard on the ones who are getting the four, five or six hundred and the thousand dollars; perhaps they are not getting all they are entitled to? A.—Perhaps not, it is a matter the Board deals with entirely, I must disclaim the responsibility for salary.

Q.—The profits allocated to policyholders in this list have increased from \$56,468.57 in 1891 to \$70,218.61 in 1895; \$74,714.86 in 1900; and \$78,617.13 in 1905.

Q.—Is that right? A.—Yes.

Q.—Of course the premium income has increased largely in that time from \$457,753.98 in 1891 up to \$1,542,969.56 in 1905, so that the dividends that have been paid to policyholders have not increased in proportion to the premium these policyholders have paid? A.—They could not, because all policies issued within that time have not yet received their dividend.

Q.—You do not include in this statement dividends for deferred dividend policies? A.—No sir.

Q.—Do you set apart any sum for those? A.—Yes.

Q.—Do you allow that fund interest? A.—Yes.

Q.—And credit it to it how often? A.—Well, no, we do not, the intention is to credit the interest at the end of the distribution period.

Q.—Why should not it be credited as the interest is earned? A.—I don't see any reason why particularly when it will be done at the end of the distribution period in any event.

Q.—Would not the result of that be to set apart and take out of what is looked upon as the surplus of the company the proper amount of interest for that fund which it is earning? A.—Allowance is made for that.

Q.—How? A.—We estimate the amount of interest required to accumulate these dividends on.



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Q.—Why not actually set it apart?  
A.—We have never done it.

Q.—Do you credit lapses on these deferred dividend policies as they go along? A.—No sir, we keep a record of them.

Q.—Why not credit those? A.—As I say the practice of the company has been to merely credit the dividends leaving the adjustment of the lapses, the share of lapses to each policy, the credit of interest to the end of the time.

Q.—That is not quite the proper way to do it, is it? A.—I think so, I think it is just as proper as any—

Q.—I am not saying it is done intentionally improperly, because some do not go as far as you do in that regard? A.—The practice varies.

Q.—Would not it be more exact to give that fund its interest every year? A.—No, it will result in exactly the same thing.

Q.—Except you have the interest that that fund has earned credited and it is allocated and taken out of your other moneys? A.—Yes, it is a mere matter of book-keeping the result will be precisely the same.

Q.—So long as you have the money there? A.—We see to that.

Q.—If the money is there why not credit it? A.—As I say it is our view of the matter, that we propose doing that at the end of the term, and we think the same result will accrue.

MR. KENT: It now appears in your general surplus instead of appearing in a separate account? A.—It is in the general surplus.

Q.—How long have you been issuing deferred dividend policies? A.—since 1891.

Q.—Prior to that you did not issue them? A.—No sir.

Q.—Had you any other form of policy that was somewhat similar at that time? A.—We had a policy resembling this in one or two respects known as a reserve endowment, that is the dividends accumulated in the hands of the company only instead of paying them out they remained in the hands of the company and accumulated, and were never subject to forfeiture, were paid out either at maturity of the policy, or at death, or at surrender, in other words the dividend simply remained in our hands and was paid out either on surrender at death or in case of an endowment when the policy matures.

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Q.—They did not go to shorten the term of the endowment? A. Yes, it shortened the term of the endowment.

Q.—One thing I omitted, you have a considerable investment in Toronto Railway bonds? A.—Yes sir.

Q.—Tell me what amount you have? A.—Par value \$137,733.32.

Q.—Have you not sold any? A.—No.

Q.—That is the most you have held? A.—Yes sir.

Q.—Take a bond like that, what routine would you go through in coming to a conclusion whether you would purchase it or not? A.—We made very exhaustive enquiries into the company's financial statement, the terms upon which it acquired the property from the city, the amount paid for it, the amount of bonds outstanding, the improvements made on the road, the bond issue limited under its charter, and generally the terms and conditions as set out in the charter.

Q.—Did you obtain that sort of information, or were the bonds bought on the general knowledge of the directors as to the security? A.—No, we had that actual information in our possession at the time.

Q.—And you considered that information and decide that they were a good security to buy? A.—Yes sir.

Q.—Do you know how widely they are held? A.—The distribution of the bonds?

Q.—Yes? A.—I only know of one life company in Toronto that holds in excess of \$800,000; I don't know where the others are.

Q.—How long did they run? A.—They terminate with the franchise in 1921.

Q.—All of them? A.—No.

Q.—Are not some of them redeemable before? A.—Five per cent., the company by its charter must redeem five per cent. of the bonds yearly from 1911 to 1921, so that by 1921 fifty per cent. of the bonds will have been retired.

Q.—And one-half of it to repay then? A.—Yes; we consider the Toronto Railway bonds gilt edged.

Q.—What transactions have you had in Springbank Irrigation Debentures? A.—We purchased a block of Springbank Irrigation Debentures perhaps five years ago amounting to a par value of \$10,000. The Springbank Irrigation district is situated in the vicinity of the city of Calgary, it covers a considerable district, and I cannot tell you how many acres just now, but the lands contiguous to the

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irrigation scheme are said to be very valuable. The district formed itself into an irrigation district under one of the Acts of the Territories provided for that purpose, and proceeded to construct this irrigation ditch, and issued debentures for \$30,000. After the ditch was partially constructed the district was fortunately favored with a great amount of moisture, and they did not require the ditch. Then the district decided to withdraw or to discontinue the ditch, and wanted to get out of the bargain. The Territorial Government stepped in and said "You must finish this ditch and go on with it," and practically compelled them to finish it. In that way a dispute arose between the district and the Government, meanwhile these bonds were sold by the District, we bought ourselves directly from the district, and they paid the first few coupons on them.

Q.—How long ago was that? A.—The Treasurer says about two years' coupons were paid and two and a half years are in default.

Q.—What is the present position of matters? A.—The bond-holders as soon as default occurred got into communication with each other and they appointed our company to act for them as far as correspondence was concerned, and we appointed solicitors in Calgary to look after our interests. The solicitors have been in communication with the irrigation district, and have been endeavoring to collect the money, but so far they have not succeeded. Under their advice action to apply the remedies to make the money, or rather to make them levy assessments upon the lands benefited in order to pay the coupons, instead of that under their advice we allowed it to drift along because of the disputes between the district and the Government. The district think the Government is going to come to their rescue. The Government—

Q.—Did they come? A.—Did not say so certainly but they led them to expect they would, and it is really in that position at the present moment; the Government of Alberta has at this very moment the matter under consideration, and we shall know in a day or two whether they intend to come to the rescue of the district. If they won't then it has been decided by the bond-holders to institute proceedings to compel the levying of the rate to pay the coupons.

Q.—Is there danger of loss in that? A.—No.

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Q.—Down to this time you have not anticipated any loss in that? A.—No.

Q.—Whom did you come to buy those through? A.—Through our agent in the city of Calgary.

Q.—Who is he? A.—E. C. Crandall; he is our insurance agent.

Q.—How did he come to get you to buy them? A.—He knew the officer of the Irrigation district and I think they came to him to place some of the bonds and he merely placed the facts before us and we got an opinion from Loughheed & Bennett the solicitors for the district, as well as our own solicitors, and he got no commission on the transaction; he merely acted as go-between the district and the company; we paid him nothing.

Q.—The company paid him nothing? A.—No.

Q.—What rate of interest are they supposed to bear? A.—Five per cent. We gave them a small bonus on them.

Q.—You paid them a premium? A.—Yes.

Q.—Is that the sort of investment you would make again? A.—Not exactly that kind, not because the security is not all right but the formality to be observed in bringing the law to bear—

Q.—Requires too much attention? A.—Yes.

Q.—The means of realizing are too roundabout? A.—Too cumbersome.

Q.—Has your company had large mortgages on real estate in the past years? A.—Yes.

Q.—Did they ever get pretty well tied up in real estate? A.—Yes, our company had large mortgages in the city of Toronto and unfortunately got caught there when the boom burst and as a result a large number of properties fell into our hands.

Q.—You are going to put this on Toronto? A.—Yes, I may say that outside of our foreclosures in Toronto our foreclosures do not amount to scarcely anything.

Q.—Tell us the situation of matters with regard to that? A.—We held about 30 different properties in Toronto. We appointed a man on salary to take care of them.

Q.—Will you tell me the means you adopted in your loans in Toronto to place those loans at that time when they were placed, how did you do it? A.—The same means we did prior to that time and have since followed, that is to say we have agents there

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who send applications in, and we appoint valuers.

Q.—And you give a commission? A.—Yes.

Q.—And then you would have an entirely different man make the valuation? A.—Always.

Q.—That was your rule before? A.—Yes.

Q.—And has been since? A.—Yes, and when those properties fell into our hands we found it necessary to appoint a man to look after them, collect rents and to see to repairs and so on, and we nursed them along for a number of years, we sold them one by one until now they are all sold, we have not a single property in Toronto, and as a matter of fact the only real estate we have on hand to-day is the head office of the company and a small block of land in British Columbia which fell into our hands for a debt; that is all the real estate we have; we sold all the rest of it.

Q.—How did you come out? A.—We came out with a surplus of \$4,720.

Q.—Is that after charging up all interest against the property? A.—No, we did not take the interest.

Q.—When did you stop the principal? A.—Immediately when the default occurred.

Q.—From that time when the mortgage was in default until the time when you would make a sale there was no interest charged against that fund? A.—No.

Q.—Can you say what amount you lost with respect to that item of interest? A.—I could not say.

Q.—You say there was a surplus of over \$4,000, but then there was considerable loss? A.—Yes, there would be the loss through interest.

Q.—How much? A.—I cannot say, I don't know.

Q.—Still you can put it in the thousands? A.—It might be five or ten thousand dollars.

Q.—Not more? A.—I don't think so. These properties were all rent-producing properties, none of them were vacant, and the rent went into our revenue for the current year.

Q.—You had an agent there managing them and getting the rents out of the property, getting interest in that way such as you could? A.—Yes.

Q.—You did not charge up interest against the loan? A.—No.

Q.—Would the rents you would receive be taken into the account which makes the \$4,000? A.—No, that simply takes in the sale price compared with the amount at the time the default occurred.

Q.—Your interest was not all lost? A.—No, there was that offset revenue from rent against the interest.

Q.—Have you never made up a statement to show how you came out with regard to that? A.—Only the statement showing the individual profits, the losses from individual properties, simply taking the value of the property at the time of foreclosure and the price realized.

Q.—I see references in the minutes to a certain amount to be carried into real estate, that is when you would take a foreclosure or take over the property, and rather an indication that the principal was carried but interest dropped? A.—The interest was dropped.

Q.—Sometimes amounting to a few thousand dollars? A.—It might in some cases I suppose.

Q.—How much did your loans amount to, you told me the number of them, about how much did they amount to?

MR. HOSKIN: About \$200,000 I should say.

MR. TILLEY: Had you any serious loss in real estate in any other part of Canada? A.—Nowhere.

Q.—Your other investments have been satisfactory in that regard? A.—Always satisfactory.

Q.—And your trouble with the property in Toronto was the result of the depression is the real estate values in Toronto? A.—Yes, the bursting of the boom.

Q.—I suppose that does not change your view as to the wisdom of making the real estate loans, they are a good security in your opinion? A.—Yes.

Q.—You have to have some risk in every security? A.—Yes.

Q.—This is the profit and loss statement? A.—Yes. (Profit and loss statement filed as exhibit 354.)

Q.—The loadings on your first year premiums amounted to \$33,174.25? A.—Yes sir.

Q.—And your net expected death losses in the year 1905 in respect of policies issued in that year were \$24,393.97, and your net actual death losses in that year in respect of such



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policies were \$26,414, that is the actual death losses exceeded the expected death losses for the new business of 1905 by \$2,020.03, making the total margins \$31,154.22? A.—Yes.

Q.—And the expenses \$178,083.15, or a loss with respect to that first year business of \$146,928.93. That condition with respect to the death rate in that first year is not at all normal? A.—No, that is abnormal.

Q.—That would be due to having a run of bad luck in the 1905 business, by having excessive death loss, which might happen at any time? A.—Yes, we have one case of graveyard insurance of \$10,000 included in that.

Q.—What is that graveyard insurance? A.—It is insuring a man who is at the point of death, by fraudulent means.

Q.—That is a risk that is open to every company at some time in its career, to have an excessive death loss in a particular year? A.—Yes.

Q.—What might you reasonably expect your death loss to be in 1905? A.—Normal, as a percentage less than 50 per cent.

Q.—Of the expected? A.—Yes.

Q.—Supposing you would say \$10,000? A.—Yes, that would be about normal.

Q.—So that there was an increase over what would be regarded as normal of \$16,000 about in your death loss in that year? A.—Yes.

Q.—Was the graveyard case one where the doctor had made a slip? A.—I don't think he made a slip; I think—I speak advisedly now—I think he deceived us.

Q.—You think there was no neglect in the way the inspection was made? A.—No, I think it was a straight case of deceiving the company.

MR. LANGMUIR: Was there any collusion? A.—I think so.

MR. TILLEY: That is your suspicion and belief? A.—Yes.

Q.—Do you mean collusion with the doctor? A.—Collusion between the doctor, the local agent and certain other persons.

Q.—Unnamed? A.—Yes.

Q.—We have the ones connected with the company anyway? A.—Yes.

Q.—Then it is possible, is it, to get such matters past the Medical Referee? A.—When the medical examiner will deliberately falsify his report there is no means to ascertain that in the head office.

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Q.—That is one of the risks of your business? A.—Yes, that is one of the risks, except that the agent is required to make a report.

Q.—You expect to have the double check on your agent and doctor? A.—Yes.

Q.—And sometimes if one is probably not honest with you the other checks him? A.—Yes.

Q.—But in this case you think you were deceived by both? A.—I want to just say this, that in that particular case the local agent was not a regular agent of the company, and the business came through a general agency 200 miles away from where the application was taken, and the general agent it appears had no knowledge of the risk.

Q.—And is it fair to say it would be one of the cases where a man brought along insurance and wanted a commission, not in your employ regularly? A.—Yes.

Q.—That is a common practice? A.—Yes, I think it is, what we call brokerage business.

Q.—Just because a man introduces a person that takes out insurance it has got now that he wants some recognition? A.—Yes.

MR. LANGMUIR: Did the application show he had been refused insurance before? A.—No sir.

Q.—That was silent? A.—Yes.

MR. TILLEY: Q.—The circumstances that it came to you in that way, would not that put you on your guard? A.—In respect of future similar cases?

Q.—No, in that particular case here is a man who is bringing in an application and your regular agent has never seen the man, or not being a party to it, would not you always insist that some agent of yours should be a party to the transaction? A.—Yes, and enquiry along that line was made by the medical director both with regard to the ability and professional standing of the medical examiner, who he was assured was first-class in all respects and I think also in regard to the man by means through the agent inquiry was made in that regard also; I am positive inquiry was made with regard to the examiner at all events.

Q.—That is to say your general agent made such inquiry as he could from the circumstances? A.—Yes.

Q.—And checked it as far as he could? A.—Yes.

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Q.—You would not attach any blame to him in that regard? A.—No sir.

Q.—Is it not the fact that if a man walks into an insurance office and asks for insurance himself that he is regarded with a great deal of suspicion, and it would be pretty hard for him to get a policy? A.—No, I cannot say we would regard him with suspicion at all.

Q.—You would take a little extra precaution about a man like that? A.—Yes.

Q.—The pressure has got so strong now that it is unheard of, of a man being loose long enough to really get to need a policy? A.—That is so.

Q.—You regard it as probably a man who expects that his policy may become a claim pretty soon? A.—We might have suspicion along that line.

Q.—If you had such a case as that you would not let a man 200 miles away from your agent's head office go to a doctor himself and get a certificate and send it to you, and then issue a policy on that? A.—No.

Q.—What check have you by some man who is really not an agent of your company—don't you think the insurance companies are going too far in recognizing these brokerage men who are simply running around getting a commission? A.—As a matter of fact we do not encourage brokerage business; the company discourages brokerage business for that reason.

Q.—Brokerage business does not come to your head office? A.—No.

Q.—You don't know how much you get? A.—No, except what our agents tell us. The brokerage business is largely confined to the cities, to the larger cities, Toronto, Montreal and so on, and I can only speak from the knowledge acquired through our general agents in the cities.

Q.—And the result of your inquiries is there are not many applications that come in that way? A.—No.

Q.—Do you think the companies are not going too far in recognizing these floating men instead of having regular agents—any man at the present day that knows of some person that wants to get insurance can get a commission on it? A.—Practically I think. The company in its instructions to agents discourages brokerage business. To what extent business is actually secured through brokers I am not able to say, because the

brokers do not come in contact with the company.

Q.—It has got to be—I think the public know that pretty well now—it has got to that condition of affairs that brokers can get a policy placed in any company although they are not regularly appointed agents, in fact a man can be his own broker and get a commission on his own policy, call it rebate or not as you please? A.—Yes, generally speaking that is true.

Q.—So long as the company gets the policy at what it usually receives through its own agents it is satisfied? A.—Yes.

Q.—Is not that developing just that careless sort of business that may let a company in for a \$10,000 graveyard case, as you describe it, at any time? A.—Well, of course, a broker does not feel himself as closely identified with the company in which he places the business as the regular agent.

Q.—He has not the same moral obligation? A.—No.

Q.—Not only that, but is not the broker usually some person who is out of another office temporarily or almost permanently? A.—Yes, many are.

Q.—They are rather shiftless, not a very trustworthy class? A.—I would not say that, I could not say that. I think brokers generally speaking are men who do a little life insurance and a little fire insurance and agency business of one kind and another, but as to their moral character I would not go so far as you suggest.

Q.—If they are good substantial agents looking out for the interests of the company, they are attached to some company? A.—No, not always.

Q.—Still there is a greater chance of that at any rate? A.—There is that, there is no doubt.

Q.—A floating class of agent that is perhaps in the business to-day and out of it to-morrow? A.—Yes.

Q.—If that item was \$10,000 instead of \$26,414—I do not think it is quite fair to treat it as \$26,414? A.—No.

Q.—Was the claim disputed? A.—It was disputed.

Q.—But paid? A.—That claim has not been formally made upon the company and it is not expected that there will be a claim made upon the company.

Q.—This that you have shown here for death loss may not occur then? A.

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—No, we are in the meantime calling it a liability.

Q.—You are obliged in the way you make your return to treat that as a liability at the present time? A.—Yes.

Q.—And you are including it as a liability, if there is any doubt the doubt is in your favor now, because you have put it in as a liability here? A.—Yes.

Q.—That claim is \$10,000? A.—Yes.

Q.—Was there anything special to account for the other \$6,000? A.—It just so happened, possibly accidental deaths.

Q.—No special case? A.—No.

Q.—If that item were \$10,000 instead of \$26,000, it would make your expenses in regard to first year business about 300 per cent. over your margins for the first year business? A.—Yes, and in that connection I wish to point out that the loadings—

Q.—The way it stands now in the profit and loss statement it is about 470 per cent.? A.—Yes. I wish to point out this that the loadings were ascertained upon a three per cent. net premium basis; now, that means that the net premium is higher than the net premium on a  $3\frac{1}{2}$  per cent. basis, which is the Government standard; the lower the rate of interest the higher the net premium is, and consequently the smaller the margin for loading. We value our new business on 3 per cent. basis, consequently the loadings were ascertained on that basis, and for that reason the loadings are some \$12,600 less than they would be if they had been ascertained upon the Government standard, which would have the effect of reducing the excess of cost over margins very considerably, and thus reduce the percentage you speak of.

Q.—Why did you compute your premium on the lower rate of interest?

A.—The premium as a matter of fact, was computed on  $3\frac{1}{2}$  per cent., the premium itself, that is the premium we charge the policyholders.

Q.—But you say this item of loading here by reason of the higher net premium is smaller in your case than it need be? A.—Than it would be if we used  $3\frac{1}{2}$  per cent.

Q.—You are using 3 per cent.? A.—Yes, in our valuation.

Q.—That applies to business since 1900? A.—1903.

Q.—You did not make the change till 1903, you had it  $3\frac{1}{2}$  per cent. to

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1903? A.—No, 4 per cent. to 1903,  $3\frac{1}{2}$  per cent. from 1900 to 1903, and 3 per cent. after that.

Q.—Many companies are on this 3 per cent. basis now? A.—Yes.

Q.—So that what applies to you applies to many Canadian companies? A.—Not many Canadian companies; I thought when you said you meant American and other companies.

Q.—Yes? A.—No, there are several Canadian companies but not many.

Q.—You have, of course, had many years behind you now in the history of the Mutual Life? A.—36 years.

Q.—And you have got a large renewal income? A.—Yes.

Q.—From premiums? A.—Yes.

Q.—And the renewal income is what assists in bringing down the general cost of business, is it not? A.—Yes, that is the ratio of the expense to the income.

Q.—What is your ratio of expense to income? A.—17.8.

Q.—Don't you think that your new business is costing you too much when it is 300 per cent. of your margins for the first year? A.—Speaking now without regard to other companies I will tell you frankly it is costing too much, that is we say that to our policyholders in our annual report. In relation to the similar expenses of other companies it is not too much; I mean to say it bears a favorable comparison with other companies.

Q.—You of course have a very large and well equipped field staff now? A.—Yes.

Q.—And I suppose with younger companies that is a very great difficulty in getting the field staff established at anything like moderate costs? A.—Yes.

Q.—You have not that difficulty to meet at all now, at least you are as far past it as you can ever be? A.—Not quite.

Q.—Why? A.—Because only recently there were some portions of the West we had not properly organized.

Q.—Still you cover Canada as completely as any other company? A.—Just now, yes, but within two or three years we still had some new territory to organize that was not thoroughly organized.

Q.—What is the cause of that large cost as compared with the margins you have for expenses in that year? A.—The agency expense for securing business.



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Q.—What item do you think should be the one that you should aim to bring down, is it the commission paid to the agents? A.—That would be one.

Q.—Do you think the commissions should be on a lower basis? A.—Under existing conditions they could not be reduced.

Q.—Why not? A.—Because competition governs that to a large extent.

Q.—What would that result in supposing you did? A.—It would result in the loss of agents.

Q.—The loss of some business? A.—Yes.

Q.—Would that be an unmixed evil in a company the size of yours? A.—Well, the prime object of the company is of course to secure as many policyholders as possible within reason.

Q.—Then the whole thing depends on the "within reason?" A.—Perhaps.

Q.—You have a very strenuous Superintendent of Agents, have you not? A.—I do not know what his reputation is outside of our company, we think very highly of him.

Q.—We have listened to his annual reports? A.—Yes, he is very accurate.

Q.—In no year you ever fall below the previous year? A.—I think not, but if you will allow me just to take a look I think we have increased our new business steadily, at all events since I became manager.

Q.—Do you think it would be any great calamity if the Mutual Life did not write quite as much business this year as last year? A.—It would be no calamity.

Q.—Supposing it fell considerably below, there would be no real injury to the company? A.—What do you mean by considerably?

Q.—What business did you write last year? A.—\$6,100,000.

Q.—How long ago was it five millions? A.—About two years ago.

Q.—How long was it four millions? A.—Perhaps two years previous to that.

Q.—It has been going up very rapidly? A.—Half a million a year increase.

Q.—Would it not have been in the interests of the policyholders if you had been satisfied to temper that off and leave it the same some of those years of strenuous competition? A.—No, I think not.

Q.—Why not? A.—For this reason; the management of a company is supposed to keep the company prominently before the public and to keep its place in relation to other companies; what I mean by that is

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this if the management for example were satisfied last year with three millions of business and other companies of equal size to ours would go on and write double that our policyholders I think would very probably charge us with being negligent or being inactive or not doing what the company should reasonably do in that regard.

Q.—If every company tries to write half a million dollars more business each year than the year before, and every company is trying to do that, we have only started the trouble about rebates and commissions and bonuses? A.—I have not said that we started out with the very express object of increasing it half a million dollars a year; I said we did increase it half a million.

Q.—As a matter of fact the companies do aim at certain increases during the year, do they not, and they drum the agents up a bit as they see they are getting a little too late on, or it would be not to hurry along the applications if they are coming to that mark—you do control that? A.—You must do that.

Q.—You do do it? A.—Yes.

Q.—So that when you say you put half a million dollars more business on the books last year than the year before and so on for some years back you accomplish what you set out to do? A.—I don't know that we set out to increase it by half a million, I think the business simply resulted in that increase.

Q.—Is the effort to keep the business up and write additional business popular with the agents who write the business or unpopular? A.—It depends upon the agent; with some it is unpopular, with others it is very popular. The man who gets business regards it as popular, the man who cannot get it thinks it is very unpopular.

Q.—Why does he think it is unpopular, what is visited upon him that makes it unpopular? A.—The Superintendent of Agencies probably visits him.

Q.—And each agent is urged and a little lashed into getting additional business, increasing it each year? A.—No, I cannot say it is so strong as that.

Q.—It is a thing that the agents resent? A.—Not all of them.

Q.—I would almost gather that from the discussion at the annual meeting, that the agents do not like

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it, was not popular with the agents? A.—I had not noticed that.

Q.—I will see if I cannot find some literature on the subject: "If the Mutual Life of Canada is to become really a great company the volume of business must be gradually increased from year to year notwithstanding the opinion of some of the agents of this company to the contrary. A timid and vacillating policy in any line of business at such a time as the present neither inspires confidence nor respect of progressive business men?"

A.—That is only the opinion of the Superintendent of Agencies.

Q.—That is the opinion of the man who is dealing with the agents? A.—Yes.

Q.—And the agents get his views, don't they? A.—Yes.

Q.—Is not that sort of a Superintendent, if you put it that way, one that develops a good deal of this trouble about rebating, because these agents know that unless they keep their business to last year's standard, no matter how hard they worked the year before to accomplish that, they must keep it up to that, or they are to some extent on the black list, and in order to do so possibly they have to rebate? A.—It might result in that.

Q.—These agents do not make much money, by the time you get the net return of the agents? A. No, they do not.

Q.—They do not retire and live in the next house to the President? A.—None of ours have retired yet.

Q.—And is it not the fact that it is the feeling that there must be some new business and that gradual increase all along the line that is causing a good deal of this trouble. Why should not the Mutual Life be satisfied with five millions of insurance each year rather than increasing all this trouble throughout Canada in connection with agents? A.—Because, I think, our agency staff is capable of doing an increasing amount of business by reason of the fact that the population is growing, financial conditions have been improved and with the appointment of additional agents and a more thorough working of the district—it is not necessary in my opinion to resort to extraordinary methods in order to get an increased business, that is we do not squeeze the last ounce out of our men to get that increase, that is not done at all; we

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say to our men, you cannot sit down and enjoy your renewal commission and have a good time, we can get lots of men to do that, you must produce a certain amount of new business, that is essential to the continuation of your contract.

Q.—Why is it not sufficient if he gets what business is fairly to be obtained in his district, without being told, there is the mark you made last year, now you must get over that this year? A.—Because we consider what he has got is reasonable and we don't want him to fall behind what is reasonable.

Q.—Don't you know as a matter of fact that in the way the insurance is got, much of what the companies are writing is unreasonable, having regard to the needs of the people? A.—I don't think that is true of any of our agents.

Q.—Let us deal with other companies for a while then, with insurance in general? A.—I know more about our own than about the others.

Q.—Still, I think you could tell us something, confidentially, about the others? A.—That must be taken with a grain of salt, of course. I am here to tell you what I know.

Q.—Is not that the fact that an abnormal amount of business is being written now? A.—I think that is true.

Q.—If the Mutual will insist on putting it from five millions to five and a half and from five and a half to six and from six to six and a half millions, are they not about the chief offenders? A.—No, we are not, I think we are only getting what a company of its age and standing and size should normally expect. I think that a life company should look forward each year to not only keeping pace with the preceding year but it should, if possible, within all reasonable bounds, attempt to increase that business.

Q.—But the number of companies has been increasing? A.—Yes.

Q.—And are these new companies not entitled to carry on business and get their share? A.—Well, I don't know whether they are entitled to it; if they can get it they are entitled to it.

Q.—They have pretty hard work to get it? A.—Yes, they have.

Q.—The way of the agents of the older companies are kept on the endeavour to write more business this

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year than last? A.—I don't think it is so much the action of the agents as it is due to the standing of the older companies. I am not speaking of our own now; I will speak of all the older companies. Here we have companies that have been doing business upwards of thirty to fifty years. They are in good financial standing, their reputation is good, the management is good, they can appeal to the public very strongly and say, here are our assets and liabilities, with a large surplus, we are a good going concern; along comes another company six months or a year old, and they try to come into competition with these older companies. I say that is where a large part of the unreasonable expense comes in, because these young companies must get business. They have said to their shareholders, you subscribed this stock and you set me going and I venture to say we will do a million or two of business. That man has got to make his promise good. He goes out and comes into competition with our own and other companies and he will simply do anything to get a policy away and there is one of the greatest reasons why the abuse has occurred.

Q.—You do not think that any superintendent of agencies stirs up that feeling in companies more than your own? A.—I do not catch your question.

Q.—You do not think there is any superintendent of agencies in connection with any other company that stirs up that feeling about increasing the volume from year to year more than your own does? A.—Well, I really cannot say that. Mr. Tilley. I really have no knowledge of what other companies are doing.

Q.—You told us a minute ago what they were doing, trying to get a little business? A.—What did I say?

Q.—You said these new companies had promised their shareholders they would write so much business? A.—You mean the young companies?

Q.—Nothing that they promise can be more than the line of action that is outlined by your superintendent, can it? A.—No, certainly not.

Q.—“Some Canadian companies seem to think that the older conservative or slow going policy is the only safe one. That is a poor policy.” “Rapid growth, if healthy, is much preferable and leads to better results

to policyholders.” When did you start increasing at the rate of half a million a year? A.—I think it was about the time of the change of management in 1898.

Q.—Was it entirely with your approval that progress or writing of business at that rate was decided on? A.—Yes, it was.

Q.—And your information at the present time, after carrying that on for three or four years, is that your agents net about one-third of what you pay them? A.—Yes.

Q.—That would not seem to be a very good return to them out of what you pay them. A.—In some cases the return even at that is fairly good.

Q.—But that means you are paying the agents two-thirds more than what would be good for him. A.—Oh no.

Q.—It is still good to have a third A.—By no means; the agent must pay his expenses; he must pay his local agents; he must pay his rent.

Q.—When you speak of general agents, do they have local agents who are approved by the company? A.—Yes, they have local agents, sub-agents.

Q.—And their contracts must be approved by you? A.—No, not in all cases. They are supposed to send a copy of every contract made, to the company, but they don't do it, as a matter of fact.

Q.—Are there any official sub-agents in Toronto? A.—You mean appointed by the company, no sir.

Q.—Any in Montreal? A.—No.

Q.—Then you don't know how much is paid out to regularly appointed agents? A.—You mean sub-agents?

Q.—Yes. A.—I think I have some contracts made in Montreal, in the office, but I really don't know what they are. I don't know what the commissions are.

Q.—Are the payments coming from the agents in Montreal and Toronto charged to them, that is to your Montreal and Toronto agents? A.—Yes.

Q.—It comes out of them? A.—Yes.

Q.—It is not paid by you? A.—They pay their local agents, if that is what you mean.

Q.—Yes. Why does not the company retain control of its sub-agents so that they can have entire control over them and know the class of men they are employing? A.—In the management of a large company you must resort to means of that kind to pro-



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perly manage the field force. It would result in creating a very large department in our business if we were required to make contracts directly with every agent who serves the company in one capacity or another. We must delegate part of that work to others, and we delegate it to the general agent. We depend upon him for the appointment of suitable and reputable men to work under him. We must be guided by their advice in the matter.

Q.—And you think that is the better way to do it? A.—That is the general system.

Q.—I suppose that is so. Then you have attached to the Profit and Loss Statement a Schedule showing the first year expenses. A.—Yes.

Q.—Consisting of commissions \$130,754.10; loans and salaries \$17,035.22; Medical fees \$15,005.12; Advertising \$7,156.82. And all other expenses \$8,131.89. Total, \$178,083.15.

Q.—Are medical fees increasing?

A.—Yes, they are. In some parts of Canada there is an attempt being made at present to increase the fee to \$5 uniformly for each examination regardless of the amount of insurance.

Q.—That is an attempt by the doctors? A.—Yes.

Q.—Has that been in evidence long? A.—For perhaps two years.

Q.—What is the present rate of remuneration? A.—We pay \$3 for examinations, where the amount of insurance is \$2,000 or less; \$4 where it is between \$2,000 and less than \$5,000. If it is \$5,000 or over we pay \$5. It is a graded scale of fees adopted by the Life Insurance Officers Association and uniformly in use by the companies.

Q.—How do you pay your medical referee? A.—We pay him by fees on each case.

Q.—A uniform fee? A.—Yes.

Q.—Governed by the amount of the policy? A.—No, regardless of the amount of the policy.

Q.—What does the medical referee's fees in the year amount to? A.—They amounted in 1905 to \$2,841.60.

Q.—That is all the payment that was made to the medical referee in 1905? A.—Yes.

Q.—Then referring to your statement again, the loading for renewal premiums amounted to over \$227,000. A.—Yes.

Q.—And the expenses applicable to that item would be \$136,442. That is about 60 per cent. A.—Yes.

Q.—Showing a profit from that source of \$91,143.34. A.—Yes.

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Q.—That 60 per cent. I suppose you think is a fair ratio. A.—The ratio of the first year of renewals is about  $7\frac{1}{2}$  to one.

Q.—Some say ten to one. A.—I am inclined to think 10 to one is an outside figure. Ten would be an outside.

Q.—Some say 15 per cent. for renewals. A.—Well, however, it is  $7\frac{1}{2}$  to one in the case of our company. That is about what it amounts to. 10.4 is our rate on renewals.

Q.—Some companies use 15 for renewals. A.—The practice varies.

Q.—That is the way you have treated this item at any rate,  $7\frac{1}{2}$  to one.

A.—No, we ascertained the expense as nearly as we could both as regards first year and renewals; that is we divided them as nearly as we could without regard to any ratio and it brings out what we thought would be fair.

Q.—Then the death losses in the year 1905, other than with respect to first year business, was in the ratio of about 47 per cent? A.—Yes.

Q.—That is a favorable showing. A.—Very.

Q.—It is quite different from the showing with regard to the first year business? A.—Yes, of course.

Q.—How does that 47 compare with your average for the last few years? A.—It has been hovering around 50 per cent. of the expected for a number of years back. It has averaged 53 for the last 15 years.

Q.—And I suppose that the average depends to a great extent on the amount of new business you are writing? A.—Oh yes.

Q.—And your average death rate would be less than it otherwise would by reason of this increase in the business? A.—Certainly.

Q.—Because the new members come in after a medical examination, which is a check on their condition? A.—It improves the vitality of the company, and to that extent is a benefit to the policyholder, the new as well as the old.

Q.—That is one item on the other side of the account. A.—Yes.

MR. KENT: Do you know whether your policyholders live longer around Waterloo than in other sections of the country, or not as long? A.—We have never made any investigation into that, Mr. Kent. We can only state from observation. We have had a very favorable mortality experience on our business in this vicinity, although it would not be fair to say that the class of lives insured here are bet-

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ter than they are, for example, in the eastern part of Ontario or in Quebec or elsewhere, but our experience has been very favorable, and we can also say that with regard to the Maritime Provinces; our mortality experience there has been exceptionally favorable. On the other hand we cannot say that our mortality has been unusually unfavorable in any particular place. That is, it has not shown itself very unfavorable in any particular Province or locality.

MR. TILLEY: It is fairly even, you think, throughout. A.—Yes, fairly even.

MR. KENT.—Then you do not think the people here live very much longer than they do in Nova Scotia? A.—I don't think so.

Q.—Then it cannot be due to the goods and wares manufactured here? A.—No, they are no benefit to life insurance.

Q.—And you consider them no detriment, either? A.—I do.

MR. TILLEY: Have you an ab-stainers' section in your company? A.—No.

Q.—Then in your statement you have no items credited at all to special funds? A.—No.

Q.—If you had credited any sums to deferred dividend fund would you show it there? You certainly would if you had added interest to the amount; it would then come into the Gain and Loss exhibit? A.—How is that?

MR. RUBY (Actuary of the company): We did not quite understand what that item called for. We had no account of special funds as a ledger item. We have provisional credits of deferred dividends. (Mr. Ruby continues to answer.)

Q.—You treat those as merely provisional transfers of the funds to that account? A.—Provisional credits.

Q.—And you do not add interest to that as it goes along? A.—We do, in a way; we do not add it specifically, but we ascertain each year what part of the surplus fund contains that credit of the dividend as well as interest.

Q.—Reserves released by surrender and lapse \$89,808.96. Surrender values allowed \$64,148.68. Showing a gain upon that item of \$25,620.28. By reason of what factors is there a gain with respect to that item; in the first place you give no surrender or lapse value during how many years? (Mr. Wegenast answers.) A.—Three years.

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Q.—So that whatever falls in in that time would, as it were, go in reduction of the first year's expenses; it is really not a profit in a sense, it is not profitable business, but it releases the reserves that you have had for the time being tied up? A.—Yes, that we have put up for the first year's expenses.

Q.—Then, other than the apparent gain from surrender and lapsed policies in the first three years, what gain is there with respect to surrenders and lapses after that period? A.—Well, there is practically no gain so far as lapses are concerned, because they do not occur; after the third year every policy has a surrender value and it very rarely occurs that a man omits to apply for his surrender value.

Q.—But he does not get the full amount of the reserve? A.—No.

Q.—So that there is an apparent gain of the difference between the surrender value and the reserve that you have got? A.—Yes.

Q.—And what would that be? A.—It is various, because the practice of the company in regard to fixing surrender values has been somewhat varied throughout its career. In the early years we made a charge, a deduction of 10 per cent. of the insurance value; that is a technical term, I don't know whether you wish me to explain it or not; but at all events there is a deduction made by every company from the reserve on the assumption that the persons who surrenders is a good life and that deduction is for the purpose of replacing a good life. That is the theory.

Q. That is, the persons who surrender their policies are not persons who expect that their policies may become claims in a year or two. A.—It is not presumed so.

Q.—It is generally some person who says, I do not want any insurance at all? A.—Yes.

Q.—“I am going to make my policy a claim soon and I am going to give it up,” and by reason of one of your best lives going away from you in that way, you think a certain allowance should be made in respect of that item? A.—There must be.

Q.—And that is one of the reasons that you do not allow to this insured the full reserve? A.—Yes.

Q.—And I suppose another reason is that the company is entitled to some profit on that business; it wrote the business for profit. A.—Well, it is not fair to the remaining members

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to allow any one of their number to withdraw and take with him, so to speak, everything that is at his credit.

Q.—Does that apply in a mutual company? A.—It applies equally to a mutual company as well as to any other.

Q.—Why should not one of the persons who is in on a mutual plan, if he wants to drop out, be allowed to take his share with him? A.—He gets his share.

Q.—Why should anything be charged against him by way of profit to the others? A. Because it would destroy the whole foundation of life insurance if a man were allowed to withdraw and take with him everything. There would be nothing to keep the membership together; there would be no cohesion at all if everybody could simply walk out and take what might be considered his reserve in full. A company might suddenly dissolve, everybody walk away.

Q.—Why not, if they all wanted to? A.—Oh, well.

MR. KENT: There would be nobody to pay the managing directors' salary.

MR. TILLEY: No person thought of that. I suppose you could not start a mutual company to-day under the Dominion law as it exists? A.—Not without the assistance of some, I was going to say, capital, not without the assistance of money from some source.

Q.—You would have to have something to be used as capital is now used in insurance companies? A.—We would have to have something to take the place of capital.

Q.—Some person must come along and make a present to the company, or you must have capital. A.—No, some person might be generous enough to loan a company a certain sum of money.

Q.—Buy a share in its renewal commissions by some actuarial scheme? A.—Yes, I heard of that the other day. That might be one way, but I wasn't thinking of that. I was thinking of a provision similar to that in the charter of one of the Toronto companies, where there is a guarantee capital and that the policyholders can pay back as soon as it is in a position to do so. In that way it would be possible to start a mutual company; in fact, the company I have in my mind might be made a mutual company under the provisions of its charter in that way.

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Q.—It is a guarantee fund instead of strictly capital? A.—Yes.

Q.—A fund that can be returned? A. Yes.

Q.—That is absolutely necessary under conditions as they exist now? A.—Yes.

Q.—Do you know how the Mutual Life got along without capital? A.—Yes, I can give you an outline of that. In 1869, when the then Ontario Mutual was thought of, the persons who might be called the organizers and subsequently the provisional directors and afterwards directors, were persons connected with the Waterloo Mutual Fire Insurance Company. Amongst them was the first President of the company, the late I. E. Bowman. He with a few others put up, loaned the company sufficient funds to get its charter, simply put their hands in their pockets and loaned that much to get it started. The expenses of incorporation were between \$600 and \$700. That was all. They got five hundred policyholders, required under the Act of Incorporation, and after they commenced doing business the receipts from those five hundred policyholders constituted the first funds of the company. Then, as they felt able, they paid these men back with interest.

Q.—Returned the loan? A.—Yes, and thereby, of course, made the company virtually mutual, kept it mutual.

Q. Under the Dominion Act as it stands now there would be a deposit of \$50,000 to put up before a company could commence? A.—Yes, it would take a comparatively large amount to start any company, even a mutual company, under the present conditions

(Adjourned from 12.30 to 1.30.)

## AFTERNOON SESSION.

Waterloo, Thursday 12th July, 1906.  
1.30 p.m.

The examination of Mr. Wegenast continued:

MR. TILLEY: Mr. Wegenast, Mr. Hoskin tells me that some information has been obtained regarding the state of the accounts at the time the Richmond debentures were transferred to the bank, and it is said that on the 2nd. January there was sufficient money came into the company's office



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to wipe out the amount that the company had obtained from the bank?  
A.—Yes.

Q.—Wipe out the overdraft that would have been there had the transaction not been put through, probably that is the proper way to put it? A.—Yes.

Q.—That in the ordinary course of business had that transaction not been made on the 31st December there would have been no overdraft on the 2nd January by reason of the receipts of that date. Is that right? A.—Well, we had a credit balance on the 6th January, at all events, of \$27,000.

Q.—After reversing the transaction regarding the Richmond debentures?

A.—Yes, we received enough money to overtake the balance which would have existed but for this arrangement, and also leave a credit of \$27,000 on the 6th. I probably might explain that the income, in the month of December, is very large, and in the early days of January we get a very large amount of money, and it was partly in anticipation of that that we ever invested for the time being. The income, however, for the month of December does not come in until January.

Q.—The first week in January you would have a large income? A.—A very large income.

Q.—Then he also mentioned that there might be some misunderstanding with regard to the question I asked you as to a person coming to the office to obtain insurance. You did not say, I think, and the questions were not with reference to what rebates such a man might get. The question was entirely as to the way you would regard such an applicant, whether you would not regard him with suspicion as to his health? A.—Exactly.

Q.—That is what we were talking about; we were not discussing whether or not he would get a rebate. A.—I didn't think your question had any reference to rebate at all.

Q.—No, and I did not intend it to have. I don't think it had if you read it, but there might be a misunderstanding? A.—Lest anyone might misunderstand my answer I might just say that as a matter of fact very few people do come to our office and propose insurance. That may be due to the fact that we are out of the way to some extent, here in Waterloo.

Q.—I think that applies pretty generally with companies? A.—I think

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so but assume that a man should come to our office and propose insurance or a rebate or commission; we would decline that. We have uniformly declined to pay any person a commission for insurance, as you might say, over the counter.

Q.—Why do you take that position? A.—Refusing to pay commission?

Q.—Yes. A.—Well, commission is a remuneration to an agent. An agent performs a great many services for a company for which he is not specifically paid. Our agents do a great many things for us for which we do not pay them. They attend to the payment of death claims, matured endowments, the settlement of accounts with doctors and others and many other things for which they are not paid at all. Now the commission which we pay them upon insurance is intended as a sort of general remuneration for his services. A man who comes into our office and wants a policy for himself performs no service to the company and there is no reason why he should not pay the full premium any more than the man who deals with our agent out in the field.

Q.—That is quite right. Then do you say that you would not give a man that come in in that way any commission at all? A.—I do say that.

Q.—You would not give him any concession? A.—No.

Q.—You have never allowed directly through the head office, any commissions? A.—I know of no case.

Q.—You are speaking of where the application comes direct? A.—Yes.

Q.—But supposing it comes through an agent, do you allow rebates then? A.—No, we don't recognize rebates at all. We pay our agents commissions.

Q.—What about this correspondence that you found for me with regard to a policy apparently in Ottawa. You need not give the name of the person for the present? A.—Yes, in this case we allowed our agent an extra 10 per cent.

Q.—On account of what? A.—Because the local agent who brought him that required him to pay a certain percentage equal to what the company was paying him, and the agent came to us and said, there is nothing in this thing for me at all, so in that particular case we allowed him 10 per cent. for himself.

Q.—For the local agent? A.—No, for the general agent.

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Q.—Was it in the nature of a rebate to the insured? A.—No. Not at all. The local agent who secured the business simply said, I want so much commission for giving you this policy, whatever the amount was. The general agent came to me and said, now I can get that business but I must have a little something for myself, and we allowed him 10 per cent. extra. But I did not understand that the local agent was rebating to the insured; if he did I am not aware of it.

Q.—That was a \$25,000 risk. A.—I believe it was.

Q.—You think no rebate has been allowed direct by the office. What is the largest rebate you know has been allowed by any of your agents? A.—I cannot recall a single case.

Q.—Has your company ever allowed the full first premium? A.—No.

Q.—Have you ever heard of any of your agents doing it? A.—No.

Q.—I mean have you ever heard of it by way of gossip? A.—No, neither that way nor any other way.

Q.—If you have never heard of one premium, of course you have never heard of two? A.—Surely not.

Q.—No such allowance has ever been made out of the head office, at any rate? A.—No.

Q.—Do you make any discrimination in your policies? A.—How do you mean?

Q.—Do you ever give persons who are insured on the same plan at the same age different surrender values? A.—Not unless he pays an extra premium.

Q.—You have never seen that without an extra premium? A.—No.

Q.—In comparing policies 54479 and 52787, while the insurance is at the same age the premium is different? A.—Yes.

Q.—In what way? A.—This policy 52787 was issued at the same rate as one of the Toronto companies which charges the uniform premium. I am unable to say which company it is, but it is one of the companies that adopted the uniform scale of premiums. Our agent came in competition with him in Galt and we agreed to issue those policies at the same premium rate of the competing company and the same surrender values.

Q.—When you say these policies, what policies are you referring to? A.—This one and 52188.

Q.—Is that on a firm? A.—Yes.

Q.—Those policies are on a firm? A.—Yes.

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Q.—You then departed from your own rates? A.—Yes.

Q.—As between these parties and the other persons that you insured in your company you gave these parties a rebate? A.—Oh no, we charged them an extra premium. It is the other way.

Q.—You did not change your rates? A.—We charged a higher rate.

Q.—Then you gave them the privilege of coming into your company on a higher basis than you would charge an ordinary person? A.—Yes.

Q.—How did you come to do that? A.—We adopted the premium rates of the competing company and the surrender values as well.

Q.—Why? A.—Simply because the agent came to us and said, this is the only way I can get that business, and we agreed to do that in those two cases.

Q.—And do you say the return on these two policies to you is a better return? A.—We get a better premium.

Q.—Explain the difference between the premium on these policies and the premium on your own? A.—The premium on that one policy 52,787 would be in our company \$205 and in this case it is \$207.50. A similar difference would exist in the case of the other policy.

Q.—The other policy is 52,788 which is on the partner of the man insured in the other? A.—Our premium rate in this case would be \$262, whereas we received \$263.50.

Q.—Tell me what difference you gave in the way of privileges from what you would get? A.—These surrender values are somewhat higher. They are the same surrender values as the other company would have given for the same premium. We just adopted their surrender values.

Q.—Are they better for you? A.—I don't think the position of the company is any different at all taking the difference in premium into consideration. The surrender values are slightly larger but we get a little higher premium for it. I might say, these, so far as I know, are the only two special policies we ever issued of that sort on any special terms or conditions to anybody.

Q.—The only two special policies you issued? A.—Yes.

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Q.—And you say the return you got for those policies, including all the privileges granted to the insured, is as good as if you had insured under your own policy form? A.—Yes, I think so. When this man said, if you give me the same as the other company we will give you the business, we adopted the other company's rates and surrender values, that is all.

MR. KENT: If you pushed that system, everyone could get any sort of policy or premium he wanted provided he could say that another agent had offered the same thing? A.—Oh no, we would, of course, satisfy ourselves that what the other company was offering is something equivalent to what we ourselves would get on our own terms. Of course many companies offer inducements, surrender values and special conditions that we could not possibly think of doing. We exercise our judgment about that, and I might say that the issue of special policies is by no means confined to one company. Many companies do it as a regular thing. However, these are the only cases that I know of where we departed from our rates and values.

MR. TILLEY: The paid up value is different too? A.—Oh yes, it would correspond with the cash surrender.

Q.—In some years the cash value would be the same as your figures and in some cases different? A.—My recollection is that we adopted exactly what the other company offered, which varied a little from our own.

Q.—Was there any rebate allowed the insured on those policies? A.—I cannot say.

Q.—You never heard of any? A.—I never heard of any. I don't know of any.

Q.—That, I suppose, is particularly objectionable in the case of a mutual company? A.—It would be if we would charge these people our own rate and gave special concessions not given to other policyholders, but where we charge an extra premium for the extra surrender value I do not see that it is using them differently.

Q.—Did you ever carry on business without issuing any non-participating policies in the Mutual Life? A.—Up to the year 1898 there were no non-participating policies issued except such as result from the sur-

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render of the original policy for a smaller paid up policy. The reduced paid up policy as the surrender value for the original policy was always non-participating.

Q.—From that time on it would be non-participating? A.—Yes.

Q.—The company did not solicit non-participating business then? A.—No.

Q.—Do you know when it was changed? A.—We began in 1898.

Q.—Was that the time you were then manager? A.—It was before I was manager. Just about a month before my appointment, the non-participating rates were adopted.

Q.—Was that a result of your suggestion? A.—No.

Q.—Did you consider whether your Act of Incorporation would permit you to carry on non-participating business? A.—Yes.

Q.—Did you get an opinion on that? A.—We did.

Q.—Have you it here? A.—It was a verbal opinion. We have no written opinion that I remember.

Q.—Whose opinion did you get? A.—Our own solicitor, Mr. Millar.

Q.—And do you say that there was nothing in the Act to prevent you issuing non-participating policies? A.—Yes.

Q.—The Act says, "for the purpose of carrying on the business of life insurance on the mutual principle in all things pertaining thereto?" A.—If you will permit me I would like to make a statement with regard to those words "the mutual principle." I don't know what was in the minds of the original incorporators of the company, but I think what they intended by those words "on the mutual principle" was merely that the company was to have no capital stock. That expression, however, implies that the mutual principle is something different from the principle underlying a stock company which is not the case. The principles underlying a mutual company are precisely the same as they are in the case of a stock company. That is both employ a mortality table for the purpose of constructing rates, computing reserves, and doing all other things necessary on strictly actuarial principles. The only difference between the two companies is the one has stock and the other has not, so it seems to me that the employment of those words "on the



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mutual principle" is apt to "mislead. I just wish to explain that there is no difference in the mutual company so far as the principles are concerned.

Q.—But this point came up, you say and was discussed, was it? A.

—Yes. There is a section where it says, the directors shall have power to say upon what conditions policies may be issued. The question of profits or no profits is a condition.

Q.—Then you have changed your premium rates from time to time? A. Yes.

Q.—In 1891, 1897, 1900 and 1903? A.—Yes.

Q.—They are gradually running in what direction? A.—Increasing.

Q.—Due to what? A.—Chiefly to reserve requirements.

Q.—That document will be Exhibit 355. The rule adopted for computing the reserve, from time to time, is shown by Exhibit 356. In the same way your reserve was changed in the years 1891, '95, 1900 and 1903. The first time it was on the Hm. 4½ per cent.? A.—Yes.

Q.—And in 1895 on the 4 per cent. actuaries' table? A.—Yes.

Q.—And in 1900 on the 4 per cent. Actuaries' on all business up to January 1st, 1900, and after that 3½ as the Act requires? A.—Yes.

Q.—And in 1903 you had changed to Actuaries' 4 per cent. on all business to January 1st, 1900: Hm. 3½ on all business to January 1st, 1903, and Hm. 3 per cent. on all business thereafter. Is that then the cause of your changing your premiums? A.—Yes; that is the reason.

Q.—That would mean higher premiums and higher reserves? A.—Yes.

Q.—At first you loaded all your net premiums alike, did you not? A.—Yes.

Q.—That is persons insuring at the same age would pay the same amount of loading regardless of whether they were taking the same plan of insurance or not? A.—Yes.

Q.—Their premiums might be higher but they paid the same for expenses? A.—Exactly the same.

Q.—Is that, in your opinion, a proper way to load premiums? A.—Well, there is a wide difference of opinion on the subject.

Q.—I was asking you yours; what is your opinion on that? A.—In the light of conditions as they exist now, that method of loading cannot be carried out.

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Q.—Then it is competition that drives you from it? A.—Yes.

Q.—Theoretically you think it is right still? A.—Yes, I think so.

Q.—You think that the premiums should not be loaded by a percentage and a constant as most companies have been doing in recent year? A.—I would not say they should not be, because that would imply that is an incorrect method of loading. As a matter of fact it is the almost universally accepted method of loading. A percentage and constant — plus a constant, or percentage only. Our original method of loading on the ordinary life rate was a theory of Professor Wright. He was our first consulting actuary, and in theory it can be defended still. In practice it won't work out.

Q.—The result of making the change in a general way was what on the premiums? A.—It would make the endowment premiums higher.

Q.—Very much higher in proportion? A.—Yes, it would make them higher.

Q.—A tendency to put the expense more on the endowment plans and take it off the life plans? A.—Yes.

Q.—Where the premium was smaller? A.—I would like to point out now the section of the Act in which the power of the directors is fixed for taking any kind of policies including non-participating policies. Section 13.

Q.—That is the new Section 13 adopted in 1903? A.—Yes. The directors shall have full power to determine rates and so on, and conditions under which the policies shall be issued.

Q.—Do you remember why that amendment was dropped? A.—No.

Q.—You went to the trouble of getting an Act of Parliament for it? A.—I don't think this part of the section is new. It is only certain portions of it, this is not new at all.

Q.—What was new in the 1903 Act that you wanted made part of your legislation? A.—We wanted power to appoint a treasurer and actuary and an auditor.

Q.—You would hardly go to the Legislature for that, would you? A.—No.

MR. HOSKIN: We wanted one auditor instead of two. A permanent auditor. I think that was the main reason.

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Q.—What other reason was there besides that?

MR. HOSKIN: I do not remember. The principle reason was to get the one auditor, a permanent auditor.

Q.—Then you made up, Mr. Wegenast, a statement showing how long policies must progress to make good the reserve? A.—Yes.

Q.—And I will put that in as exhibit 357. That shows that it takes a different number of years for different plans of insurance? A.—Yes.

Q.—In a 20 year endowment it must run 5 full years? A.—Only at the youngest age.

Q.—But it does run that long? A.—Yes, on the youngest age, 25.

Q.—Then it will make good as low as two years or three years of the life policy? A.—Two years at age 25 on the ordinary life plan.

Q.—The loading on the endowment by reason of the new method of loading is much larger than on the life plan? A.—Yes.

Q.—Then how is it that the policy does not make good on that plan sooner than on the life? A.—Well, it is due to the extra cost of placing that policy on the books.

Q.—It is due to the extra commission you pay the agent? A.—Yes.

Q.—Why do you pay extra on that kind of insurance? A.—That is governed by competition almost entirely.

Q.—Isn't it the kind of insurance the companies want to write? A.—It is, yes.

Q.—It gives them larger premiums? A.—Yes, and there is greater stability amongst endowment policies than there is on life or cheaper forms of policies.

Q.—You mean more persistency? A.—Well, I mean they stay on our books better. I should have said persistency. They are more persistent; there are fewer lapses.

Q.—The time that is taken to make up the reserve depends upon the amount of the first year's expenses as compared with the margins and the premiums? A.—Yes.

Q.—And the heavy reserves that must be put up? A.—Yes.

Q.—Are those reserves, in your opinion, necessary for solvency of the company in the early years? A.—Well, it is rather difficult to answer that question.

Q.—You cannot say that in your opinion they are not or that they are A.—No. Of course I believe in

companies putting up the full legal reserve from the very beginning of the contract.

Q.—Why do you believe in that, because you are an old company? A.—No, not at all. Because I think that any other course might simply lead to even more expenditure than there is at present. I think that companies knowing that they have this reserve to put up are more cautious or inclined to be cautious at all events and take that fact into account than they would be if a small reserve were required in the first year.

Q.—You think if a smaller reserve was required in the first few years of the policy that something ought to be done by way of legislation to restrict the expense? A.—Unless that were done it would be no good at all.

Q.—Do you think it is a proper principle that the Government should require money to be put up by way of reserves which is not necessary for solvency, merely to prevent them spending all the money that they get in their hands? A.—Well, of course, the companies have to put up a reserve under each contract for the purpose of solvency in the first place.

Q.—That brings us back to the question I asked you at the start. Do you think those reserves are necessary for the purpose of solvency? I am not asking you as to the advisability? A.—I must answer in the affirmative then.

Q.—You think the full net reserve is necessary for solvency? A.—Yes, I did not understand your question in the first instance.

Q.—Do policyholders contribute towards expenses after the time for payment of premiums has expired under their policies? A.—Only out of the interest upon their reserves. Not by way of premium.

Q.—Is there a deduction made from their profits or bonuses to cover the expenses of the company? A.—Yes, there was a charge made against the interest derived from investments. There is a charge made against that for expenses.

Q.—How is that reckoned? A.—It is figured at about one-half per cent.

Q.—Is that to cover more than investment expenses? A.—It really covers more than investment expenses because our investment expenses do

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not really amount to one-half per cent.

Q.—Then it is an arbitrary charge? A.—It is an arbitrary charge to that extent. I think a quarter of one per cent. would more nearly cover all our investment expenses. Between one-quarter and one-half at all events.

MR. LANGMUIR: Even in the North West? A.—Yes sir. We have made no losses in the North West.

MR. TILLEY: Do you keep a separate account with each policyholder? A.—Yes.

Q.—Have you a sample of your account? A.—No, we were not asked for one, I can get you one. Would you like one of an actual policy in force?

Q.—I would like one sample of how you keep it. We will file that as Exhibit 358. Would you describe how you keep the account? A.—The accounts are kept on cards. We adopted the card system many years ago. In fact we were among the first companies to do that. On these cards are entered all the particulars of the policies; all premium payments as well as dividends are entered.

Q.—And the condition of any policyholder's account can be determined at any time? A.—That is as far as premium payments are concerned and dividends, yes sir.

Q.—And are any allotments made with respect to deferred dividends? A.—Not on these cards, no. We keep a separate account for those.

Q.—Not an individual account, I suppose? A.—No, we keep those in ledgers.

Q.—Lump sums? A.—No, there is an individual account kept in ledgers, of each policy and all particulars.

Q.—Of each policy's share? A.—Yes.

Q.—But you do not credit it on the card.

Q.—Why not? A.—It is not very well adapted for that purpose; it requires greater particulars and we prefer to keep that separate anyhow.

Q.—You probably do not want to pass it to his credit to that extent? A.—No, we do not use the information in connection with the premium payments. Of course these go on throughout the distribution period, without reference to dividends; and the dividend account, therefore, is kept in separate ledgers.

Q.—In 1905 your first year premiums in the participating class amounted to \$225,129.35? A.—Yes.

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Q.—And your commissions on that same class amounted to \$128,873.72? A.—Yes.

Q.—Now the non-participating class, your premiums were only \$10,357.33; commissions \$2,702.72? A.—Yes.

Q.—Your rate of commissions to your agents was a great deal more in the participating class than in the non-participating? A.—Yes.

Q.—Does that include the difference in rates you pay the agents? A.—In a general way, yes.

Q.—What difference do you make between them, is it by a regular percentage? A.—It is by a regular percentage and we pay a little more than one-half on the non-participating than we do on the participating.

Q.—Does that apply to all kinds? A.—Yes.

MR. KENT: Why is there that difference? A.—Because the loading on a non profit policy is comparatively small and there is not the margin with which to pay commissions.

Q.—Why is the loading small? A.—Because the profits of the future have been anticipated.

Q.—Is it not because you do not want to do the non-participating business and take that method of getting out of it as far as possible? A.—No.

Q.—Can you tell the Commission who is responsible for fixing the premium rates? All or nearly all the witnesses we have examined have said it is due to competition. There must be some party that started the competition. I have been looking for that man ever since we started this inquiry? A.—Well, Mr. Kent, in a general way I would just say this; a non-participating premium must be based upon the same mortality table, the same rate of interest as you use for your valuations and there should be in addition to that a slight addition for expenses. Now then, what that slight addition for expenses should be is a matter of opinion quite as much with regard to non-participating policies as it is with regard to participating. There is no man probably can give a very satisfactory answer why it is that 20 per cent. plus \$3 is the loading on a participating policy on a certain plan and why it should not be 40 per cent. To that extent, competition governs. I cannot give you an exact reason why it should be 20 per cent. plus \$3 and not 19 or 21 per cent. Competition must necessarily enter into that to a certain extent. The premium rates, however, are not all alike. There is some differ-



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ence. There are companies with extremely low rates. In fact practically the net rate.

MR. TILLEY: They may not pay? A.—They may not pay at all, may not carry the business.

MR. KENT: We have had one witness who says the loading on their non-participating policies was less than 5 per cent. That must be altogether too small? A.—Too small, I should say.

Q.—He would not acknowledge that he was the party who started this; he laid the blame on the older companies. Here we have got an older company and I want to find out if I can before we close? A.—Well, Mr. Kent, I have told you all I can about it, I think. A net rate based in the mortality table you employ and the rate of interest you employ in your reserves, that is the beginning. Then as to what addition should be made—because there certainly should be some addition to that for expenses—that is a matter of competition largely, and some companies charge more and some very much less. We have charged what we consider a reasonable addition so that the business will carry itself. Right here I would like to say this; past experience has shown that the with profit policies in our company have brought out a very much lower average premium than without profit. In other words, if in the year 1870 or anywhere since then, our company had at that time adopted a non-participating plan, the experience would have shown that those policyholders would have paid us very much more than the with profit policyholders. That is to say those who took the profits found as a matter of actual experience that the average premium after taking the profits from the gross premium, has brought it down much below what a non-profit would have been. That still holds true with regard to business of recent years. That is to say you take a policy 10 years old, you take any policy in our company on the participating plan, take off the dividends that were granted and find the average rate and you will find that it is better than the non-participating. Now that is a fact well known and we never fail to tell it, but our agents are not instructed to get participating business as against non-participating at all. We do not instruct them at all. We say, here are our terms and here are our commissions; now it is between you and the man to find out what you want.

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MR. TILLEY: And the commission? A.—I suppose the commissions enter into it, but there is a class of people who will not take any other kind of policy but a non-profit policy. They say, no, I will take no chances in the future with regard to profits, I want a non-profit policy. Very well, we have the non-profit policy for people like that.

Q.—You speak of rates by comparison. When you are comparing them do you take into account the interest on the extra payment? A.—I do not catch your question.

Q.—In the difference between participating and non-participating business, when you are comparing them do you compute interest, take interest into your calculation on the extra payment made by the man who takes the participating policy? A.—Oh yes, certainly.

Q.—Then I will put in as Exhibit 359, the statement regarding the expense of obtaining and retaining insurance and it shows that your commissions on your first year's premiums amounted to about 70 per cent. Is that right? A.—We have not worked out the percentage. I think that is about right.

Q.—And the commissions on the renewal premiums were about 8 per cent.? A.—We don't make out those percentages.

Mr. Ruby produces sample card as used in the card system.

Mr. Ruby answers the questions until a change is indicated.

MR. TILLEY: Q.—What amounts go in the different blanks in carrying forward your computation? A.—In entering up the account of premiums?

Q.—Yes; the account just as you keep it in your books; what amount you put in the different spaces? A.—On the heading goes a history as called there. Then we enter in the next column the calendar year; the second column contains the policy year; the next column contains the premiums payment, and also if it is a participating policy that column contains the dividend that has been allotted to the policy. When the premium is paid it is entered in the next column, if it is an annual premium policy; the object of the four columns is to provide for quarterly payments, but assuming it is a yearly premium policy and participating and is entitled to a dividend the dividend would be put in the third column, and the actual premium paid

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in the fourth column. That would complete the history of the policy and complete the account. The dividends that are allotted to the policy, as they are allotted are entered in the column on the right hand side.

Q.—That is just a cash account with your policy? A.—Yes.

Q.—It does not show the amount of reserve you set aside for the policy? A.—No.

Q.—And what the interest on that reserve is each year is added? A.—No.

Q.—It does not show when the policy, so far as your company is concerned, after paying the expenses that are properly allotted to it, it does not show when it is debtor and when it is creditor? A.—No, we make no individual calculation of that kind for every individual policy.

Mr. Wegenast answers the questions till a change is indicated.

MR. TILLEY: Q.—Have you that now? A.—I would like to correct you; the ratio of the net commission to total first year premium is 63 per cent. not 70 per cent.

Q.—That is total commissions? A.—Yes; that corresponds to the figures.

Q.—63 per cent.? A.—Yes.

Q.—And the renewal? A.—About 6.1.

Q.—And those figures cover the allowance made to agents? A.—Yes sir.

Q.—Would not those appear to be high, I thought 70 per cent. was about the highest you paid on any policy for the first year? A.—That includes the Superintendent of Agencies' salary and travelling expenses of all kinds.

Q.—Everything that is properly chargeable by way of an agent's commission, whether it is to the Superintendent or to the agent himself? A.—Yes.

Q.—It includes more than just the direct commissions? A.—Yes.

Q.—You have put in a statement showing how you allocate the divisible surplus, in a general way it resembles the contribution plan? A.—Yes sir.

Q.—Though not exactly, does it? A.—Well—

Q.—Every company practically has some modification of that plan? A.—Yes.

Q.—But in general we mentioned this morning the idea, the factors that enter into it? A.—Yes.

Q.—And you have attached a schedule showing the amounts of these different items, that is the mortality and interest and loading from the year 1891, right down to the year 1905?

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A.—Yes. Are you going to make an exhibit of those.

Q.—Yes. A.—That was not called for by your letter.

Q.—Then I will make an exhibit the plan of distribution rather than the particular figures of distribution?

A.—Yes.

—Plan of distribution marked Exhibit 360.

Q.—You have given us some sample policies with dividends applied in different ways; have you not? A.—I think so.

Q.—What different ways do you divide your profits among your policyholders, do you have any annual divisions? A.—We have annual quinquennial and deferred, that is fifteen and twenty year semi-tontine, or as we call them survivorship distribution.

Q.—These are the sample policies in the case of the annual dividends?

A.—Yes.

—Sample policies of annual dividends marked as exhibit 361.

Q.—It commences with a policy at age 30, issued in 1885; the annual premiums being \$21.20, and it remained the same for the first three years, didn't it? A.—Yes.

Q.—Then the profits commenced to be allotted to that policy? A.—Yes.

Q.—And commencing with \$2.06 in the first year the profits amounted at the end of the year in 1905 to \$5.93 in that year? A.—Yes.

Q.—And these profits were returned in reduction of premium? A.—Yes.

Q.—Bringing the premium down to \$15.27; do you favor that method of dividing the profits, the annual method? A.—No, under present conditions.

Q.—What method do you favor? A.—The quinquennial system and the deferred survivorship distribution system, either one; I have no preference for either.

Q.—Why do you prefer them over the annual distribution? A.—The annual distribution policies, while much may be said for them in theory, do not work as satisfactorily in practice; every one knows a longer distribution period gives a better average vote in regard to mortality and otherwise profit earning generally.

Q.—It postpones the time when dividend has to be allocated, does it not? A.—Yes, postpones the time.

Q.—And thereby permits the accumulation of the funds in the hands of the company? A.—Yes sir.

Q.—We asked for policy histories of the years 1895 and 1890, does that

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mean you have stopped issuing them?  
A.—We discontinued annual dividends in 1891.

Q.—And do you not issue any policies now with annual dividends? A.—No.

Q.—You have changed them all to a longer period? A.—Yes.

Q.—Either five years or longer? A.—Yes.

Q.—Now then take the next plan, that is the quinquennial dividends, that kind you are still issuing? A.—Yes.

Q.—And you have given a policy there commencing in the year 1895, and you have shown the profits that would be allotted to that up to 1909? A.—Yes.

Q.—There being no profits for the first five years; and then \$8.84 for the second quinquennial, and \$8.92 for the third? A.—Yes.

Q.—An advance these of 8 cents in the last quinquennial over the one preceding? A.—Yes.

Q.—That is not a very substantial advance, is it? A.—No, it is not; and yet we are glad to know we can make any sort of advance in view of the fact that we have staring us in the face the change of that business from 4 per cent. to  $3\frac{1}{2}$  per cent.

Q.—In view of that change that is staring you in the face are you holding back from the declaration of profits that you would otherwise declare? A.—Yes, because that is the only—

Q.—To what extent have you built up any fund to make good that reserve? A.—We have not built up any fund in particular, that is to say we have not set out from profits any particular sum and called that a fund towards changing the reserve, but we are husbanding our reserve, that is we are trying to increase it, keep it back as much as possible, and at the same time maintain some increase of dividends.

Q.—Then you are practically giving to the policyholders in the meantime a little advance I suppose with the idea of keeping him satisfied? A.—I do not know that.

Q.—And building up so far as you can the reserve? A.—We are trying our best to make up that reserve easily within the time required.

Q.—I suppose that is the principle that necessarily governs you at this time? A.—Yes.

Q.—You must give the policyholder something that he will not complain too much about? A.—We must keep the policyholder satisfied of course, and at the same time endeavor to save

as much out of our general earnings as we possibly can with the view only of changing the reserve.

Q.—There is one other form I want to speak about here, why do you call it a reduced premium policy, what is the principle of the policy? A.—The principle of the policy is to make the policyholder a loan of in some cases 20 per cent. of the ordinary premium, that he would otherwise pay in cash, and in some cases 25 per cent. That loan is treated as a debt against the policy subject to payment only by the application of profits.

Q.—Is that a policy that was issued by your company to meet the minimum policy of the Canada Life? A.—I really cannot say, it was a plan introduced by the former manager of the company, and I do not know what reasons he had for adopting it.

Q.—It is not on the same principle as the minimum policy of the Canada Life? A.—No.

Q.—The Canada Life Estimated what profit they might expect, then took 50 per cent. of that and applied it in immediate reduction of the premium? A.—Yes.

Q.—Anticipating it would not fall below that, but it did fall below it? A.—Yes, and there was no debt created against the policy by reason of that anticipated course.

Q.—If there was any shrinkage in the case of the premium there would be a lien against the policy ultimately when it became a claim? A.—Yes.

Q.—This plan of yours takes a quarter or one-fifth of the premium, depending upon the plan of insurance? A.—Yes.

Q.—And that makes a loan against the premium? A.—Yes.

Q.—A lien on it? A.—Yes.

Q.—And the assumption was that the interest and profits that the assured would get in the company would wipe out that loan? A.—I think it was.

Q.—Did it succeed? A.—No, the portion of the loan was entirely too large.

Q.—That is to say you charged the insured interest on that loan which the company advanced to him? A.—Yes.

Q.—By way of assisting him in paying his premium? A.—Yes.

Q.—And you would make the charge for the loan each year and the interest on the advance previously made in carrying that forward against



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the policy? A.—Just carried it forward as an account.

Mr. Tilley files histories of policies referred to—marked as exhibit 362.

Q.—Take the first policy that you have given us the history of age 30, premium \$21.20, in 1885, the portion of the premium that was paid by the assured in cash was \$15.90, and the debt or the loan that was made on the premium at that time was \$5.30, that is the \$5.30 and the \$15.20 made up his premium of \$21.20? A.—Yes.

Q.—You charged him the year's interest on \$5.30, which is 32 cents, at the end of the year, that brings it to \$5.62? A.—Yes.

Q.—That first year there would be no profits in the policy to go in reduction of that? A.—No.

Q.—The second year giving him his new advance of \$5.30 computing the interest brought it to \$11.57, and still no profits to reduce it? A.—No.

Q.—The third year giving him a further advance and the same amount brought it up to \$17.88, and then the profits commenced, \$2.06? A.—Yes.

Q.—Which left the debt on the policy at the end of the third year \$15.82? A.—Yes.

Q.—That debt instead of commencing to decrease from that date as possibly the company expected it would at that time, commenced to grow, did it not? A.—Yes.

Q.—And kept on growing? A.—Yes.

Q.—So that it proceeded from \$5.62 in the first year, \$15.82 in the third year right up to \$77.24 in the year 1905? A.—Yes.

Q.—So that the method of carrying through that transaction did not work out at all as the policyholder would expect when he took the policy? A.—I do not know what was held out by the management of the company in those days.

Q.—We will say it did not work out as the company expected? A.—I do not think so.

Q.—And if the company expected something different there is a reasonable assumption that the assured would look for something a little different, too? A.—Yes.

Q.—You go on to some of the other plans, and when the policy becomes paid up, of course the lien then commences to reduce? A.—Yes.

Q.—Taking the age 30, 15 payment life plan, commencing in 1885, by the

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year 1900 the premiums were all paid? A.—Yes.

Q.—And immediately the premiums were paid the lien on the policy commenced to shrink? A.—Reduce.

Q.—So that it came from \$71.65 in 1900 down to \$69.28, and in the year 1905 was down to \$56.93? A.—Yes.

Q.—In the same way with the next one, the ten payment life plan, the ten payments having stopped in 1894, it then commenced to reduce, and in 1904 there was a credit balance of 44 cents? A.—Yes.

Q.—So that indicates how it worked out in those two policies? A.—Yes.

Q.—As to your deferred dividend policies you have supplied a statement showing the credits that have been given to that fund for those policies? A.—Yes.

Statement showing credit re deferred dividend policies filed as exhibit 364.

Q.—While I did not put that exhibit in this morning I asked you about the allowance of interest on it, and you said that was not allowed on the fund as it was accumulating while you kept track of it, and took no account of it on your own calculation you did not actually credit it to the fund? A.—No.

Q.—Nor did you credit the lapses that would fall in to the benefit of that class? A.—No.

Q.—Leaving that all to be done at the end of it, keeping track of it in the meantime? A.—Yes.

Q.—I suppose, Mr. Wegenast, that you regard policy loans as in fact your safest securities? A.—Yes.

Q.—No chance for a loss on those? A.—No.

Q.—Do you ever lose on those? A.—No.

Q.—You never lend more than the reserve or the surrender value? A.—We only lend 90 per cent. of the surrender value.

Q.—And that rule is held to uniformly by the company? A.—We occasionally exceed it a little.

Q.—Do you ever lend more than the surrender? A.—No.

Q.—That being so, of course you would be very safe? A.—Yes.

Q.—Then you have a policy loan agreement that I think is not copied from other companies? A.—We have some original documents.

Q.—We have usually found them copied from other companies? A.—We do not make a practice of that.

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Q.—Your policy loan agreement I will put in because it has eliminated some features that were present in others? A.—Very well.

Policy loan agreement filed as exhibit 365.

Q.—Does your company issue the 5 per cent. gold bond? A.—We issue a 5 per cent. gold bond policy.

Q.—Would you issue a debenture paying 5 per cent. if you had the power? A.—No, sir.

Q.—Do you in reality issue any policy or document on which the assured can get 5 per cent. on his money? A.—No.

Q.—Is not 5 per cent. gold bond a misnomer? A.—It may be so.

Q.—It misleads the man who is considering taking out a policy? A.—I have never heard of that charge against our company.

Q.—I am charging it against the policy, the bond that is common to all companies—it is common to a great many? A.—We sell very few of those policies, in fact I don't think we sell ten a year, and I do not recall a single letter from any person complaining that that was misunderstood: I do not think we ever received such a letter: that may be due, however, to the fact of there being such a few policies.

Q.—And it might be, on the other hand, due to the fact that the policyholder never found he was misled, because he says, "I have a policy that has \$1,000 payable at a certain time, and in the meantime I am getting \$50 a year, and at the end of the time I get the \$1,000," and I suppose probably many of those insured would think that was getting 5 per cent. on their money. The value of such a policy at the time of death would be more than \$1,000 in cash.

—Mr. Ruby answers the questions till a change is indicated.

A.—It is about \$1,230 on a matured endowment, but a death claim there might not be that much value, so far as the man's investment of premiums goes.

Q.—What would it be? A.—A matured endowment policy it would be \$1,230.

Q.—What the insured is getting is not \$1,230, but he is getting 5 per cent. on \$1,000 for a certain number of years, and at the end of the time \$1,000?

—The questions are answered by Mr. Wegenast till a change is indicated.

A.—Yes.

Q.—So that in that way you are

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not paying 5 per cent. on the money? A.—No.

Q.—Is it fair to say that might mislead the insured; how many different kinds of policies does your company issue? A.—I do not know exactly, but I should say there should be between 40 and 50.

Q.—Originally the policies in the Mutual Life Company were very simple in form? A.—Yes.

Q.—And all on the front page? A.—Yes, I believe they were.

Q.—Over the signature? A.—Yes.

Q.—But now it is getting a more up-to-date form of policy with everything that is material in small print in the back and a short contract in front? A.—No, I do not think so.

Q.—That is the common practice—I am not saying the Mutual do it any more than the rest.

MR. KENT: Competition? A.—No, I do not think it can be charged against our policy that the type is made small with that object in view. I think our policies will bear examination and I think you will find they are printed in good, plain type, and you must remember our policy is filled right up four pages of it, and there is scarcely any room, and we could not make the type larger.

Q.—You would have to print them in books? A.—We would have to get a book.

Q.—Because I suppose there are so many privileges for the policyholder? A.—Most of the policy is taken up with privileges in the mode of premium, forms of annuities, and various privileges of that kind.

Q.—I suppose it could hardly be expected of any average man that he could understand more than about three of the forty policies and understand the privileges that were supposed to be there for him and appreciate them? A.—I think it may be said that the average man does not understand fully every privilege he has under his policy; I think it is fair to say that.

Q.—So that the company that can have the most is giving a better policy than the one that has a few less, because a fellow does not understand them anyway? A.—There are men who would take a policy and look at it, and if they found a whole lot of print in it they would say, "I guess that is a pretty good policy."

Q.—How many pages have you? A.—Four pages, mostly privileges. I do

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not know to what extent it is followed up, but I think it is worth while saying this, I have made it a point to say it frequently to our agents, that in delivering a policy they should take the pains to open up and read it through with the man and tell him exactly what he has got. To what extent they do that I do not know.

MR. KENT: I can tell you, Mr. Wegenast; they do not do it at all.

MR. LANGMUIR: It is left to the executors to look after that.

A.—I think it is a great pity it is not done, if it is not done.

MR. TILLEY: It is a pity from the company's standpoint as well as the insured? A.—I quite agree with you, it is.

Q.—As a matter of fact, taking the quinquennial distribution of profits, don't you find that a great many people think that profits once declared are declared for all time in the policy and every new quinquennium should bring something in addition, and they measure the profits by the increase in the new quinquennium over the old? A.—Yes, that is a very common mistake.

Q.—And it is a very common complaint against companies by people saying at the end of the second five year period "I only got an increase of 25 cents in my profits"? A.—Yes.

Q.—That does not show a very clear understanding of the basis of the division of profits? A.—No.

Q.—And if the agents could, as you say, explain these policies to the insured it would be better; do you carry on business down in Quebec? A.—Yes.

Q.—You would have policies both in French and English? A.—Yes.

Q.—And that involves a good deal of literature and rates and so on that every company must have that carries on business in that way? A.—Yes.

Q.—You have never yet gone outside of the Dominion? A.—Yes, we do a little business in the colony of Newfoundland.

Q.—How long have you been doing it there? A.—About six or seven years.

Q.—Do you give rates to persons who are going to climates where ordinarily other companies charge higher rates? A.—I think in one instance we did, we issued a policy on the life of a man living I think it was in Cuba, the West Indies somewhere; he was formerly from Halifax, and he was home on a visit, and was exam-

ined there, and he had been there for quite a number of years, and our medical examiner thought that he had got thoroughly acclimatized, and we gave him a policy at the same rate we would charge here in Canada. I do not know of any other case; we have had one or two instances of risks in the tropics, but in those cases we used what is known as the American Tropical Table, which shows a higher rate of mortality and based the net premium upon that, and added the same loading as we would have done upon our rate here; that is to say we constructed a special rate for those cases; and that is our practice at present. I do not think we have issued half a dozen policies all told of that kind, that is persons living in parts of the world where companies usually charge an extra premium. I should just qualify that a moment. We have issued some policies to missionaries going to India, but we limit those to 20 year endowment or less. I do not think we have issued altogether 15 or 20 policies of that kind, and I remember a good many of them are medical missionaries, and the supposition was being medical men they knew how to take care of themselves, and being missionaries they would not work very hard, and so we did not impose an extra premium.

Q.—And did you not impose an extra premium on those? A.—No.

Q.—The ordinary insurance man would think that an extra premium should be put on those in fairness to other policyholders? A.—We think the only effect that the climate might have would be to shorten their lives, and for that reason we limit them to 20 year endowment.

Q.—And you give them at the regular rate? A.—Yes. Missionaries Mr. Tilley, as you may perhaps know, do not stay very long in these foreign countries; they go for perhaps five years and then come back.

Q.—Just in a line with what we were speaking about, here is a policyholder who complains that for the past five years his dividend has only been 16 cents per annum? A.—Yes.

Q.—That on investigation means that his dividend for that quinquennial was 16 cents higher than the dividend for the previous quinquennial? A.—I suppose so; I have not the statement before me to verify it, but I have no doubt that is so.



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Q.—That is to say—this was an annual one by the way, but the last year 1904 was \$16.04, and the dividend for 1905 was \$16.20, being a dividend of 16 cents, as the assured put it—that is the result of not understanding the policy? A.—In connection with that policy here is a policyholder who complains—

Q.—I have not given the name of any particular policyholder; I am only bringing that out as a sample of how these policyholders do not understand their policies; I am not saying that was a real complaint; I am just mentioning that; it is not a proper complaint in any sense of the word, it is just an illustration of the policyholder not appreciating what this question of divisions of profits means? A.—I was going to make another point in connection with it, however it does not fit in with what you say.

Q.—Must a cash value be applied for in your company within a certain time? A.—Yes sir.

Q.—Within what time? A.—On the old form of policies within 12 months, and there are later forms under which the time is 6 months.

Q.—And if he does not make the application within the six months now or 12 months before then he loses the right to a cash surrender value? A.—According to the terms of the policy.

Q.—Does he lose all right to a paid-up policy for any amount, is it a complete lapse of the policy? A.—I think so. When such a policy, I am speaking now of the oldest form of policy under which application must be made within 12 months for a surrender value, in such a case the company would pay the paid-up policy which he obtained by applying for it within the 12 month, within which he may revive it or apply for the surrender value—do I make myself clear.

Q.—I think you do, you say within that 12 months the company would give him certain privileges? A.—Yes.

Q.—After the 12 months he would lose that privilege as well? A.—Yes.

Q.—12 months and 13 days after the policy had elapsed what right would he have then? A.—None whatever.

Q.—Loss, because he did not apply for them? A.—Yes.

Q.—Does that same rule apply with your policies now after the 6 months limit? A.—It does on some forms but on others it does not. Up to the year 1896 all policies issued were either on

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the form under which 12 months was allowed within which to obtain a surrender value—later or changed to 6 months; in 1896 our company adopted a non-forfeiture scheme under which the surrender value was used to continue the policy in force.

Q.—As term insurance? A.—No, it keeps the original policy in force on the plan originally—

Q.—So long as the cash surrender value is able to pay the premiums? A.—Yes, or a premium for not less than three months. You can see the reason for that: a man paying an annual premium of \$20, and the surrender value might be \$19 and something, and it might throw him out of nearly a year's insurance, and we make it run a full number of years and not less than three months.

Q.—That is in some of your policies? A.—Since 1896, in all policies excepting term, that is all policies have a cash surrender value.

Q.—That right then exists in the insured at the time? A.—Yes, as soon as it acquires a surrender value.

Q.—Has your company insisted upon this clause that all the privileges of the policy for which the man has been paying the money for years shall pass away from him merely because he does not write a letter demanding them? A.—In ordinary practice we carry out the terms of the policy, but cases have arisen where the circumstances appear to be somewhat special, and those were referred to the Board. We, as officers of the Company say, here is the contract, you are a party to the contract just as much as the company, we will carry out the contract with that man just as it is provided; if he comes after the policy has lapsed and has not applied for the surrender value in time of course he has forfeited his right to any surrender value, but there may be extenuating circumstances. We refer these matters to the Board, and if the Board choose to make a special case well and good, but we as officers cannot undertake to do that.

Q.—But the attitude taken by the Board is that after the 12 months have gone by the policy must be treated as entirely lapsed? A.—Yes.

Q.—That is the formal resolution? A.—Yes, that is the rule.

Q.—Can you tell me any possible reason why such a clause should be in a policy that the applicant must write you for his money otherwise he loses that right? A.—It has been a

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provision from time immemorial for all life policies. The only reason I can think of is that a company must know some time when its liability terminates on a contract; we cannot keep on indefinitely with that policy.

Q.—Why not give the man in every case term insurance or continue his insurance so long as the cash surrender value would pay for it, treat him as insured as long as his money with you would keep him insured, would not that be a good way? A.—If the company's manager at the inception of the company had had the advantage of the experience of 36 years has given us there is no doubt that this non-forfeiture provision which was adopted in 1896 might have made a very attractive provision and a very fair one from the very beginning, no reason I can see why it should not have been done, but it was not done; in fact in 1870 the conditions imposed upon policyholders in most companies were very onerous indeed; it is only in recent years that conditions in life policies have become very much liberalised; I see no reason why this non-forfeiture provision might not have with perfect safety been adopted at the very beginning of the company.

Q.—If that was so what argument do you think could be used against a resolution of the Board to the effect that some provisions like that should be established in such cases rather than that the literal wording of that contract shall be enforced? A.—Of course a provision of that kind alters the contract; there are two parties to the contract.

Q.—It alters it in a way that the policyholder won't object? A.—He might.

Q.—Why? A.—For this reason: assume a policy lapses and no application is made for surrender value for say three months, under the operation of the non-forfeiture system at present if no application is made for surrender value within the 30 days we immediately treat the premium in default as a loan.

Q.—You need not do that for a year under those policies that gave the insured a year, you could make a hiatus of a year? A.—No, we must have the premium in default; the premium must be credited on the company's books. The company cannot allow that policy to go in default that way for 12 months and then charge the premium back. The premium in default must be either paid or charged up against the policy at least within thirty days.

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Q.—You think then that some resolution of the Board which would be applicable to all policyholders alike, that in case of lapse occurring in that manner that instead of insisting upon the forfeiture merely by reason of the failure to write you asking for the money, that that should not be enforced; do you think that would not have been very proper? A.—It would have provided the policyholders all agreed to it, but as I see it there are two persons to the contract.

Q.—Did the directors consider that feature many times? A.—It seems to me that when the practice was adopted in 1896 the question was under consideration but I do not remember—there was no action taken in so far as the business prior to that time was concerned, I know that, but I do not just remember what the view was, but it seems to me amongst the legal gentlemen of our Board there was a diversity of view whether that could properly be done.

MR. LANGMUIR: Do you find that all these conditions are an incentive to promptitude as an insurance man; that is there are some people who will neglect to pay, but when they know they must pay on a given day it is not an incentive to promptitude in payment? A.—It is indeed.

Q.—You find it so? A.—Yes.

Q.—And do you think with such conditions that there may be a great many more lapses in policies? A.—I do not catch your question.

Q.—There are some men very careless? A.—Yes.

Q.—Business men keep these things in a diary? A.—Yes.

Q.—But there are others who do not? A.—Yes.

Q.—If a man knows the date of his policy, and knows that there is going to be trouble, if he does not pay it is not an incentive to pay at once? A.—Yes, that is the case.

Q.—Is that a proper thing in an insurance business? A.—Yes, it is essential, and I think the application of this non-forfeiture principle to our business since 1896 has rather tended to make people careless, because they say, well, if I do not pay promptly my policy is good any how, the premium will be charged up as a loan, and it has the effect of making people less prompt than the other system would have.

Q.—Could you not do as they do in the bank, protest, give them the benefit of the protest? A.—I do not think that would work out.

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MR. TILLEY: Is this complaint regarding policy number 16,267 of that nature? A.—The actuary says yes; I personally know nothing about it.

Q.—The policy was issued on the reduced premium plan; on the date of its lapse in 1900 there was an indebtedness of \$138.34, out of an acknowledged cash value of \$362.70? A.—Yes.

Q.—Making the net cash value \$224.36? A.—Yes.

Q.—And the guaranteed cash value according to the policy was \$241.80, but the larger amount was what the company was actually allowing on policies of that character? A.—You did not give the correct figure; a policy similar to this without the lien would have been entitled to cash surrender value of \$362.20, but in that case he would have paid \$51.96 per annum, instead of \$31.97. This policy lapsed in 1901, and the actuary tells me that the first letter applying for the cash surrender value was in 1896, five years afterwards.

Q.—It is one of that class, however? A.—Yes.

Q.—It illustrates the principles? A.—Yes.

Q.—And that value was lost to him? A.—Yes.

Q.—Do you write to a man to keep him on your books when he has lapsed? A.—Yes.

Q.—Do you write him direct or through the agent? A.—We write him direct.

Q.—Without any previous enquiry from the agent as to health or habits? A.—Yes sir.

Q.—By a form of circular note? A.—Yes.

Q.—Have you one of those here? A.—I will get one for you.

Q.—And any others that are sent to follow up.

MR. RUBY: We have no followers.

MR. TILLEY: Do you at any time before sending out that notice make any enquiry about him at all through the agent or any person else? A.—Not at all.

Q.—Your object in sending the notice is what? A.—To reinstate the policy.

Q.—And you send him that notice how soon after the lapse? A.—As soon as the agent returns the renewal receipt to us unpaid, which should be immediately after default occurs, and the agent of course has exhausted all his efforts in trying to collect the premium; then the receipt comes to the office, and we send this circular letter calling his attention to the fact

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that the premium has not been paid, and with the idea of getting into communication with him, drawing him out, let him write to us, and if he has a grievance or anything, or there is anything in any way we can keep the policy or make a loan, or do anything, in fact, to keep it going, that is the object of that letter.

Q.—You have money of his that you can use as a loan? A.—Yes, sometimes.

Q.—Do you tell him, "You have a surrender value in the policy if you choose to apply for it"? A.—We tell him that if he gets into communication with us, but not in the circular.

Q.—Why do you not say, "If you choose to not go on with the policy we have some money belonging to you, but you must apply for it within the year"? A.—That may be advisable, and I think we do so when we get into correspondence with him afterwards, that is, after he answers our circular letter. If he makes any sort of answer at all. We attempt to get into communication with him, and we give him all information about the policy, the cash surrender value and everything else.

Q.—The point is to get him on again as an insurer? A.—Yes.

Q.—You are not anxious about his taking his cash value from you? A.—No, we are not as anxious as he ought to be.

Q.—I suppose it is fair to say 75 per cent. of the policyholders do not read their policies? A.—I don't know.

Q.—Are you concerned about the percentage I use or don't you know anything about the conditions that exist? A.—I do not know anything about it. Very few lapses occur that have any surrender value at all, that is, the heavy lapse occurs in the first and second years, those occurring in the third and subsequent years have a cash surrender value, and it is very rare indeed that a man will lapse a policy.

Q.—A man that has made those payments, I suppose that he knows more about his rights? A.—This case here I would like to say is a very exceptional case. I have no doubt in the world every effort was made by the agent, and a circular letter was also sent by the company to this man with the idea of restoring to him anything that was in the policy. If he had written to us at all and asked for a loan, or asked us for a surrender value, or asked us, no doubt, for any



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kind of privilege to assist him in keeping the policy going it would have been done, but all effort to get into communication with the company failed; he absolutely threw the thing overboard and let it go for five years and now discovers—

MR. LANGMUIR: Do you ascertain whether he is out of the country? A.—Yes, we try to find where he is.

MR. TILLEY: That may be a case where there was a long delay, but that is an illustration of the rule that came to our notice, and that is the reason it is used; I am not using that as an illustration that probably there is no time when one should refuse to pay. You committed yourself to the newspaper regarding a person writing the other day did you catch the drift of that policyholder's complaint, what mistake did you think he had made? A.—He treated the increase in surplus as the surplus itself.

Q.—That is just another illustration of the thing we were speaking about a few minutes ago? A.—Yes.

Q.—He said his profits amounted to? A.—\$24; whereas they were \$400 and something.

Q.—It is just a misunderstanding? A.—Here is the circular letter.

—Circular letter sent to policyholder when policy is lapsing marked as exhibit 366.

Q.—Would not it have been a nice thing for the manager of a mutual company, where they are all partners, just to say, "You have a balance standing to your credit if you apply for it within the 12 months, if you do not go on"? A.—Thank you for the suggestion, Mr. Tilley, we will think it over.

—Proofs of death claims filed as exhibit 367.

MR. GEARY: This is policy number 4982, what strikes me about it is that there is a flat increase of 9 cents in each year; can you tell me how that was arrived at, it looks as if it was a rule of thumb? A.—It is not a rule of thumb; the dividend is actuarially ascertained, but in the last five years we have made an increase of about what you say.

Q.—This runs from 1898 to 1905, inclusive, and in each year the increase has been exactly 9 cents? A.—You will notice the history of that policy, the dividend was exactly the same for a number of years. That was due to the fact that we anticipated the time when we would change our reserve from 4½ per cent. to 4 per cent. We

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found that it was not possible to go on increasing the dividends, which were very large and so the Board decided to continue the dividend at the same amount until we changed our reserve to 4 per cent. basis. All this has been explained to the policyholder.

Q.—This, of course, is all since 1898? A.—I am coming up to that; and I think it was in 1895 we changed our reserve to 4 per cent.; for three years after that we continued the same dividend. In view of having made that change it took \$125,000 to change our whole business to 4 per cent. basis.

Q.—That is an Actuaries 4 per cent., not the Hm? A.—The Actuaries 4 per cent.; that was done in 1895, and it took \$125,000 to change. We were compelled to continue the dividends after the change at the same rate; since then we have found we can make a slight addition equal to about one per cent., and which has since been done.

Q.—The nine cents per year is practically an arbitrary amount? A.—Yes.

Q.—It is not that it is a mere coincidence that the actuarial division happens to be that in each year? A.—No, it is an arbitrary amount we fixed on that we could afford to increase these old dividends, and of course it applies only to the old policies on the annual dividend plan, which comprise about 15 per cent. of the total business of the company.

Q.—Those are all treated in this precise way? A.—Yes.

Q.—There is policy 4153 for \$2,000, which you have also increased at the rate of 9 cents per thousand? A.—The same argument applies here all the way through.

MR. RUBY: While that addition is more or less of an arbitrary nature it is based upon an actuarially calculated dividend. Annual dividends will either increase or decrease each year, they will increase or decrease in a certain ratio, and the result that has been obtained there is simply that the dividend has been increased on that particular ratio.

Q.—You can average it?

—Mr. Ruby answers the questions till a change is indicated.

A.—Yes, the dividend that was allotted to that policy is practically the exact earnings of the policy less a small portion set aside for the purpose of increasing the reserve.

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Q.—And that portion that you set aside has been what you had less 9 cents each year? A.—Yes.

Q.—And you have set that aside each year without applying it to any particular fund? A.—It is held in the surplus fund for the purpose of increasing that reserve.

Q.—But not put into a special increase of reserve fund in the surplus? A.—No.

Q.—There is a complaint of this man to the effect that he has never received proxies or reports?

—Mr. Wegenast answers the questions till a change is indicated.

A.—That is a mistake.

Q.—Well, you say in explanation, you decided to give him nine cents out of the amount to his credit and carry the balance to reserve? A.—Yes.

Q.—To what will be a fund for the increase of the reserve on the policy? A.—Yes.

Q.—You changed in 1895 from a  $4\frac{1}{2}$  per cent. basis to 4? A.—Yes.

Q.—Is that the Actuaries  $4\frac{1}{2}$  per cent. basis? A.—It is known as Combined Experience 4 per cent.

Q.—The amount required under the Actuaries 4 per cent. table is a little larger than that required under the Hm  $4\frac{1}{2}$ , slightly less than that required under an Hm; that is, you have not brought your reserves up to an Hm 4 per cent. basis? A.—The difference is very small, but you are mistaken in saying that the difference between the Actuaries 4 and the Hm  $4\frac{1}{2}$  is slight; it is very considerable; it required \$125,000 to change our business.

Q.—I know in the aggregate, and in your particular case it required \$125,000? A. Yes.

Q.—And that was transferred in 1895? A.—Yes.

Q.—Have you calculated how much is required to put your business on the basis required for 1910? A.—We are already under the basis required for 1910; that is, we are on a 4 per cent. basis for our old business and  $3\frac{1}{2}$  per cent. on the new, and three even on some.

Q.—Which was not required, of course? A.—No.

Q.—Is your fund pretty nearly large enough to meet the change when you decide to make it? A.—No.

Q.—How much of your old business written prior to 1900 is still required beyond what is in your surplus to bring that reserve on that business up to the basis required in 1910? A.—The company's business is already

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upon the reserve requirement of 1910. The Act provides that in 1910 all business issued prior to 1900 shall be valued on a 4 per cent. basis.

Q.—Hm? A.—Any standard table, and our business is already on that standard. The only change we have to make in our reserve is the one in 1915. We make periodical valuations upon the standard which we will ultimately require in order to see how we stand, how our surplus funds are progressing, and how we are getting on towards making that change. Your question is what amount of reserve will it take to make the ultimate change in 1915; it will take \$345,055.62, as at the end of 1905.

Q.—That is still required to be added to your fund, or have you the greater part of that in hand? A.—We have that all on hand.

Q.—It will not be necessary for you to set anything further aside from now on? A.—Well, yes, you see no company wants to have its surplus reduced so as to be just barely solvent; if we were to make the change at once it would take a very large sum of money out of surplus and transfer it to reserve, and still leave the company solvent; still we have no capital stock behind us which we can convert into surplus as the stock companies do, and therefore it would appear if we would make the change now, the ultimate change, that our surplus account would be very seriously depleted, for that reason we do not think it advisable to make the change at once, but to take sufficient time, perhaps five or six years longer until the company would have a very substantial surplus over and above the ultimate reserve required, and in the meantime we are taking care of our surplus with the view we are building it up, keeping that in view; that is the only way in which we are treating this subject; meantime we cannot shut our eyes to the fact that this reserve must be made and we must keep a certain amount of our earnings every year in reserve with that object in view.

Q.—And really that fact is at the basis of just such a complaint as I have given you here? A.—Yes.

Q.—These people not understanding they do not appreciate the fact that the reserve has to be brought up to that basis is 1910 or 1915? A.—No.

Q.—However inadvisable now it would be in your opinion have been

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much less advisable to have made the change in one swoop at the time of the passing of the Act? A.—Yes, I think that would have been a mistake.

Q.—Your experience has shown you you can gradually build up your reserve out of your surplus earnings? A.—Yes sir.

Q.—And the effect on your policyholders under that procedure makes the reduction in profits less than it would have been had you made the whole change at once? A.—Very much so, as a matter of fact we made no reduction in our profits at all; as I explained a few moments ago, we did resort to keeping the profits the same for a number of years, we said, "we do not care to reduce the profits, but if we can keep them at the same figure we will do that as long as we can, and then increase them," and that is exactly what we have done. We found we were able to do that, make the change from  $4\frac{1}{2}$  to 4 per cent., and it is our aim to ultimately reduce all our business to  $3\frac{1}{2}$  per cent., and endeavor to carry out the same idea.

MR. MELVIN: I might state that I think all our policyholders mostly understand this, or ought to understand it already, because every annual meeting since the year that they proposed to raise the reserve, which we never asked for, I have stated myself distinctly at every annual meeting, and in every annual report we have sent out we have stated so distinctly, that we did not intend to reduce, but to continue the scale of distribution already in existence, but with no reference to any increase for the present, and not a man of our policyholders if they read our report but will know that I distinctly stated that so far as we were concerned that we would continue the same distribution of surplus that we had done in the past in order to meet this.

MR. GEARY: Q.—I understand you did not take an active part of the procuring of the legislation in 1898 with regard to the change of reserve basis? A.—No, I took no active part in it; I did in so far as getting some enlarged powers of investment were concerned. We had very narrow powers of investment under our Act of incorporation, and we felt we should have wider powers, and to that extent I did assist in get-

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ting the Act changed. In so far as the question of reserve is concerned I did not agree with the conclusion reached; the Act went much farther than I thought was necessary, and in that view there are a number of other managers who concur with me, but we were overruled in some way or another, and the Act finally went much further than we thought it should have gone. It was my view then, and it is my view now quite as strongly, if not more strongly, that the reserve upon old business issued prior to 1900 might have been left at 4 per cent. without any prejudice to the rights of policyholders or to the security of policyholders, that in as much as the premium rates charged prior to that time were based in most cases on a 4 per cent. table, and in many cases on  $4\frac{1}{2}$  that it was inadvisable to adopt so high a table as  $3\frac{1}{2}$ , because it could not help but interfere with profits. Fortunately our company was able to make the first step without any serious interference with profits; whether we can do that in the last step without making any reduction remains to be seen, because only the company's experience and the profit earnings in the future can determine that. No man can say that. But I say the security to policyholders would have been quite ample if the reserve had remained at 4 per cent.

Q.—Experience has proved you were right in that? A.—I think so.

Q.—Those companies desiring that particularly I suppose could have done it, each one in its own office? A.—Yes.

Q.—And let the rest of you alone; you had an accident in that graveyard case you spoke of; does that thing occur very often in your experience? A.—No.

Q.—Have you reason to suspect it? A.—No. I am very happy to say that that is a very rare occurrence.

Q.—Is it a fact that insurance companies are together on a list of medical referees, have they been discussed so far as to put some of them on a black list? A.—I really do not know.

Q.—You never heard it? A.—I may have heard it, and if I did I would pass it over to the medical director and let him deal with it. I do not charge my mind with it. If there is any such thing I do not know.



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Q.—One other question I wanted to get from you; you refer to your ratio of operating expenses in your reports? A.—Yes.

Q.—Is that a reliable guide as to the expense of running a company? A.—You mean the ratio of expense to income?

Q.—To premium income; yours is the total income? A.—No, that is not altogether fair; it may be said that a comparison can be instituted as between companies about the same age, same size, doing about the same amount of new business, and having about the same amount of old business in force, there is a sort of parallel between such companies.

Q.—It looks well in your report? A.—It certainly does, and in saying what we say we are only following what other people are saying.

Q.—I suppose you do not believe in legislation limiting the amount of business an insurance company may do in a year? A.—No, I think that is unnecessary in Canada.

Q.—You do not think we have arrived at the point here? A.—No.

MR. TILLEY: There is one matter I want to speak to you about, and that is the form of policy you issue, where you indicated that the premiums might ultimately be wiped out, that is the same form as the one that we referred to before I think? A.—Yes.

Q.—The way the clause as to payment of premium reads is this: "In consideration of payment to the said company of the said reduced premium of.....dollars, subject to reduction by dividends before or during the month of July in each year during the life time of the assured or until the dividend shall cancel the premium?" A.—Yes.

Q.—That led the insured to believe, and I suppose the company believed the premiums would be wiped out by the profits? A.—All I can say about that is this, the former manager of the company is responsible for that form of policy; when I was appointed—

Q.—How do you describe that policy? A.—It is in all our participating policies; when I was appointed manager to succeed Mr. Hendrie one of the first things I did was to revise our policy forms, and I left that out. I think Mr. Hendrie was perhaps a little sanguine in his expectation as to what the dividends might be in the future,

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and a time might come when dividends will cancel the whole of the premium, but it is a most unusual thing in a policy, and I think might better have been left out.

Q.—How were the premiums to be cancelled; I notice that in your rate books issued early in the company's experience, at any rate back as far as 1891, it describes the two ways:

1st. The usual way is to pay the annual premium during life, or until the surplus makes the policy self-sustaining—the premium having gradually decreased by the application of surplus till paid up. Thereafter the excess of surplus will be paid in cash to the assured till his death, when the assurance will be paid to his beneficiary."

That would indicate to the assured that the surplus would go on increasing so rapidly that notwithstanding it was applied towards the reduction of his premium it would ultimately become so great as to probably give him a cash surplus over and above that? A.—Yes.

Q.—That was rather encouraging? A.—Yes.

Q.—The second method is as follows: "The full annual premiums may be paid until the accumulation of reserve, surplus and interest together amount to the 'Single Premium,' then no further premiums are required, and the surplus will be paid to the assured during the remainder of life." That second method provides a way whereby the fund is not used in a temporary reduction of premium as it progresses, but is rolled up until it wipes out the premium and there is no premium to pay? A.—No. The dividend it retained by the company at interest and accumulated until it together with the reserve under the policy equal the single premium to make it a paid-up policy. Then the policyholder has the option of surrendering the contract and getting a paid-up policy for it; as a matter of fact we have had such policies.

Q.—The policies that were issued on that plan did not have their premiums extinguished? A.—No.

Q.—That clause never became operative? A.—I say the highest dividend that was ever paid was about 60 per cent. of the premiums.

Q.—What way was it intended your surplus should be used to extinguish the dividends, which of these two ways

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described in the rate book? A.—The second method.

Q.—That is to say it was to be held by the company? A.—Yes.

Q.—And added to the reserve? A.—Yes.

Q.—Not used in reducing by progressive steps the premiums? A.—No.

Q.—Is not the way that policy reads entirely misleading them in that regard? A.—You have not got a form of that kind of policy before you, at least I don't think so.

Q.—Here are the two ways described in the rate book? A.—Yes.

Q.—Which of these two ways would the agent use when describing the policy? A.—Either way, according to the method in which the profits were to be taken.

Q.—Which way was it to be taken in this policy? A.—The first way.

Q.—Because this goes on to say the profits shall be used in that way in that policy? A.—Yes, which of course could not occur in the second way.

Q.—What about the policies you issued where the premium was to be wiped out in the second way? A.—We have had a few such policies where the dividend—

Q.—Did they amount to much? A.—Oh no, not many, a few of the very first policies were issued in that way, that is the second method you have described, namely the profits were left in the hands of the company, we accumulated them, at interest, and when the reserve and accumulated profit fund together amounted to the single premium required to make that policy a paid-up then the man ceased paying the premium and the contract was changed to a paid-up contract.

Q.—All the complaints from policyholders regarding profits seem to be more from policyholders who have deferred dividends rather than from those who have annual dividends, is not that so? A.—No, the old policyholders who have had very heavy dividends are the fellows who are complaining that they are not increasing still faster, and any one who has any knowledge of dividends and the history of other companies with dividends will tell you the dividends we are paying to the old annual dividend policyholders, the original business, are very high.

Q.—Considering present conditions? A.—Yes.

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Q.—One other point; referring to the salary of the President this morning we referred to an increase in 1898 and an apparent increase in 1897, the explanation of that I believe to be that the 1897 was the year in which he was appointed President? A.—Yes.

Q.—And during that year he would draw the remuneration of president for only a portion of the time? A.—Yes, for three months.

Q.—So that it was not an increase in 1897 and another one in 1898? A.—No.

MR. TILLEY: We have a letter here received regarding another policy and Mr. Wegenast has promised to give us full information, and it can be investigated later. That completes all we have to ask the company for the present, although probably we will have other persons connected with the company in other matters later.

MR. GEARY: There is a statement which Mr. Hilliard was asked about, and Mr. Hilliard now tells me of it, I think it is a case where some special privilege was given, and at his request an annual distribution of profits made instead of the usual quinquennial. This at first, at the end of the first quinquennium netted the insured a larger reduction than he would otherwise have had, but Mr. Hilliard claims this would be made up in quinquenniums.

JUDGE MacTAVISH: We can get explanations afterwards if necessary. Before we adjourn I would like to express, on behalf of the Commission, their very high appreciation of the accommodation which has been provided for them here while conducting this Inquiry. You have not only looked after the comfort of those immediately connected with the Commission, but you have not overlooked the convenience of the public who are interested in what we have been discussing here. After all this is not a matter of surprise to us, who as strangers have had the privilege of seeing your beautiful town for the first time. The neatness and good taste which are apparent on every side indicate the progress and thrift of its citizens. Whatever you do you certainly do well. As to the Insurance Companies what we have to say about them we will reserve until a future date.

The Commission adjourned at 4.30 p.m., Thursday, July 12th, to meet at the Court House in Hamilton, at 10 a.m., Friday, July 13th, 1906.

## FIFTY-FIFTH DAY.

## MORNING SESSION.

Hamilton, Friday,  
July 13th, 1906. 10 a.m.

## THE FEDERAL LIFE INSURANCE COMPANY.

MR. TILLEY: I propose to take up the Federal Life this morning, your honors, and I call Mr. Dexter. I think, probably, it will be convenient if we swear the Manager and the Actuary both. Mr. Haslett appears for the company.

JUDGE MacTAVISH: You may swear them both, Mr. Tilley.

DAVID DEXTER, sworn:

FRANK BROUGH, sworn:

MR. TILLEY: Mr. Dexter, what position do you occupy in the Federal Life? A.—President and Managing Director, (Mr. Dexter continues to answer until a change is indicated.)

Q.—How long have you occupied those positions? A.—Managing Director since the organization of the Company, twenty-four years ago. President for the last three years.

Q.—You have been associated with the company ever since it has been called by its present name? A.—Yes, and previously.

Q.—What was the name of the company originally? A.—The Industrial and Commercial Life Insurance Company.

Q.—Incorporated by what Legislature? A.—By the Ontario Legislature in 1874.

Q.—A private Act of incorporation? A.—Yes.

Q.—I put in the Act of Incorporation of the Industrial and Commercial Life Insurance Company of Canada which was passed in the year 1874 (Filed as Ex. 368.) Exhibit No. 369 will be a copy of the Act of Incorporation and the by-laws of the Federal Life Insurance Company. The Act of the Dominion incorporating the Federal, under the name of the Federal, was passed in the year 1898. On the first page of the pamphlet containing the original Act of Incorporation there is an historical statement of the legislation. Their different Acts and licenses are referred to in different portions of the pamphlet and without going over the Act in detail, as there was an Act of the Dominion Government later. I would just ask what the main features of this original Ontario Act were as distinguished from the present legislation whereby companies are

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incorporated? A.—Well, the original Act varied in many respects from the present Act. It gave very much wider powers of investment than the Act given us by the Parliament of Canada, but under a license from the Insurance Department of Canada of course we were allowed to do business

Q.—By Section 30 I see the form of the returns that you were to make to the Lieut.-Governor and the Legislative Assembly of the Province of Ontario; the Schedule under No. 1. Amount of premiums received during the year on risks effected less 25 per cent., and the net amount of losses actually paid. Why is that section put in that way, do you remember?

A.—I don't remember. A report to the Department of Insurance of Ontario was waived on account of our license from the Department of the Dominion of Canada, and we were never required to make a report.

Q.—That is in accordance with the usual rules that so soon as you take out a Dominion License you would be relieved from any obligation to make a return to the Ontario Legislature? A.—Yes.

Q.—That has been common throughout, but the way that first clause is worded made me ask you why "the amount of the premiums received during the year on risks effected less 25 per cent. and the net amount of losses actually paid?" A.—I have never taken that into account because we had nothing to do with making a report on that basis.

Q.—Then, probably, it is not worth while following it up, but had it anything to do with the nature of the policies issued by that company? A.—I think not. I don't know the original design of the incorporators. I purchased the Charter from the parties who originally obtained incorporation and immediately took steps to get a Dominion license after the organization.

Q.—Then for how long, or up to what time did you work under that Charter? A.—Up to January 1898.

Q.—And you always made your returns to the Dominion Government? A.—Yes.

Q.—Then the capital stock authorized by your Act amounted to what sum? A.—\$700,000 in 7,000 shares.

Q.—Was that all subscribed? A.—Yes.

Q.—You were the holder of a substantial amount of the stock? Ori-



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ginally you had 100 shares in your own name back in 1891? A.—Yes.

Q.—And then you had 50 shares in trust? A.—Yes.

Q.—Had you any other shares that were in reality your property, standing in the names of any other shareholders? A.—In 1891.

Q.—Yes? A.—I think not.

Q.—The stock at that time was fairly well distributed? A.—Yes.

Q.—There was no control, or was there? A.—No, there was no control.

Q.—If there was no control by a private individual was there any control by any group or set combined together by either relationship or as directors or in any other way? A.—No, I think not.

Q.—There was no control at all? A.—No.

Q.—Just a scattered capital stock. Then how soon after that did you commence to acquire stock in the company more largely? A.—I think about 1892 I began to purchase some shares of stock in addition to what I had.

Q.—You issued the stock, did you, and had it subscribed to 1882? A.—1882.

Q.—Now between the year 1874 when the original Act was passed, and the year 1882, what had been done about this Charter? A.—It was lying dormant, nothing done.

Q.—Just the Act had been passed? A.—Yes.

Q.—There had never been subscriptions for stock? A.—No.

Q.—Tell me then the means by which you obtained the control of matters? A.—Well, knowing the Charter was in the possession of the parties who originally obtained it, and being desirous of organizing a company, I purchased their interest in the Charter and organized.

Q.—That is to say you bought the right to use the Charter from the person who had paid the promotion expenses, I suppose? A.—Yes, that was it.

Q.—Did you commence buying the stock with the idea of obtaining control of the capital stock? A.—No, I purchased because the stock, I thought, was selling at a very moderate price at the time.

Q.—You thought it was a good investment? A.—A good investment.

Q.—On what basis did you issue the stock; did you add any premium

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to the amount of the capital? A.—No.

Q.—That was not an idea that was prevalent then? A.—No, it was not.

Q.—Had you been in the insurance business before, Mr. Dexter? A.—I had had very little experience in the insurance business before.

Q.—Did you know the troubles and difficulties of getting an insurance company organized? A.—I was not as well acquainted with them as I was subsequently.

Q.—You got some experience? A.—Yes.

Q.—Did you fear the trouble you would have about putting up the reserve, making a Government deposit and so on in the early stages of the company's experience? A.—I don't think we feared it.

Q.—Did you consider whether you would have impairment of capital? A.—I assumed that we would have an impairment of capital, yes.

Q.—When you commenced you knew that? A.—Yes.

Q.—You anticipated that? A.—Yes.

Q.—I suppose it was the same then as now, there was no way of commencing a company without having impairment of capital unless it got money in some way that it did not call capital? A.—Quite so.

Q.—And your company at the time you organized it did not get any money that was not called capital? A.—No, we had no preliminary advances of premium for expense purposes.

Q.—Subject to what call did you issue the stock? A.—10 per cent. originally.

Q.—Was it expected that you would not make any further call on it? A.—At that time it was.

Q.—You thought you would be able to carry on the company without making any further demand on those shareholders? A.—Yes, the object was to obtain enough money to make the deposit with the Insurance Department at Ottawa.

Q.—How soon did you realize that the call of 10 per cent. would not be sufficient? A.—I don't think that we realized that it was insufficient, but we thought it would be better to have a larger amount paid in; it would look better and we could make a larger deposit with the Insurance Department if we chose.

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Q.—So that it was more a matter of expediency than necessity? A.—Yes, expediency.

Q.—Did you make a further call on the stock originally issued before you issued new stock? A.—Yes.

Q.—Or did you issue new stock first? A.—We made a call of 3 per cent. before that, some years before.

Q.—Then your first demand upon your shareholders was for 10 per cent. of the original organization in incorporation? A.—Yes.

Q.—And then you asked for 3 per cent.? A.—3 per cent. afterwards, yes.

Q.—Then what was the next step you took as between the company and its shareholders? A.—As to capital?

Q.—Yes? A.—In December, 1900, we decided to increase the capital to a million dollars by the issue of 3,000 new shares.

Q.—That would bring the amount of the subscribed stock up to a million dollars? A.—Yes.

Q.—What condition of affairs decided you to do that? A.—I think our object was principally that in competition with the other companies it would appear better to have a million dollars of capital and something over \$100,000 of paid up portion of it.

Q.—That is to say you regarded it as good advertising to be able to show a substantial capital stock and a substantial amount paid up? A.—Yes, that was practically the reason why.

Q.—Are you still of the same opinion that that was good advertising? A.—Yes.

Q.—You think the public prefer to deal with a company that has a substantial capital stock? A.—Yes, I do.

Q.—And that they do not take the view that because there is a large capital stock that that diverts money from policyholders to shareholders? A.—Well, I should hardly say that a million of subscribed capital with \$130,000 of paid up capital was a very large amount of capital stock.

Q.—I am not in any way criticizing your amount; I am trying to find out how the public regard capital stock, from you as an insurance man? A.—Oh, I am of the opinion that the amount of capital subscribed, a million of subscribed capital, was a very reasonable amount and would give confidence to the public.

Q.—Then do the public look upon that with regard to the stability of the

company, is that the point of view? A.—Yes, I think so.

Q.—You think a man you are going to insure will be impressed by the fact that there is that capital stock in your company; is that right? A.—I think so.

Q.—Then you would not take the view that it would be advisable, as soon as a company did not need the capital stock, to have the capital stock cancelled and turn the company into a mutual company? A.—I would not.

Q.—You would not, I suppose, being a shareholder, but how would you say the public would view that from your experience in dealing with them? A.—I should say the public would view it in the same light.

Q.—You think that they regard it as a benefit to have reasonable capital stock? A.—A reasonable amount, yes.

Q.—You would not favor mutual companies? A.—I do not.

Q.—Besides, then, the idea that it would increase your prestige with the public, what was the immediate object of bringing that about; were you in need of funds? A.—No.

Q.—Did you issue that stock at a premium? A.—We issued it at a premium.

Q.—What call did you make upon it? A.—We made a call equal to what had been paid on the previous stock, 13 per cent., and an additional \$5.20 per share as a premium.

Q.—How did you arrive at the \$5.20? A.—A 40 per cent. premium on the amount paid up.

Q.—That is to say, you took 40 per cent., added to the \$100 share, made \$140, did you? And then 13 per cent. of the \$140—or you took 40 per cent. of the amount paid up on the stock? A.—Yes, 40 per cent. of \$13.

Q.—I suppose some other companies had established this method of asking for premium on stock prior to that? A.—Yes.

Q.—And you were following, not leading, in that regard? A.—We were following, yes.

Q.—Why did you issue it at a premium? A.—First, because we concluded the company was in a position to warrant it, and secondly, because we wanted to increase our surplus to that extent.

Q.—Had you any impairment at that time, 1900? A.—Yes.

Q.—Probably the actuary will tell us what impairment you had? A.—

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Was there an impairment at that time, Mr. Brough?

MR. BROUGH: I think not.

Q.—You can look that up. Mr. Haslett thinks you are confusing the year 1890 with the year 1900. A.—Oh yes, that is right. No, we had no impairment at that time.

Q.—In the year 1890 you had? A.—Yes.

Q.—In issuing that stock at a premium had you any idea in your mind that as between the old and new shareholders it was fair that a premium should be added by reason of the old shareholders not having received dividends all this time on their stock? A.—That was a very reasonable conclusion.

Q.—Was that present to your mind at the time? A.—That was present also.

Q.—That it was only fair that they, to put themselves on an even footing with the old shareholders, should pay a little more? A.—Yes, the old shareholders had received but little dividend up to that time.

Q.—What rule did you establish as to selling that stock, did you issue it to the public? A.—No, we allotted it in proportion to the old shareholders.

Q.—Giving each shareholder notice, did you? A.—Each shareholder regular notice, yes.

Q.—That the stock was increased and that he could take up his proportion. How many shares had you in the capital stock at that time, 1900? A.—336, I think.

Q.—Was that standing in your own name or in your own name in trust? A.—Principally in my own name. I think 321 in my own name, and 15 shares in trust.

Q.—What is the meaning of that "in trust" account of stock, Mr. Dexter? A.—The trust account of stock, in that particular case, I don't remember. A small amount. It may have been to secure some loan or something else, for all I know.

Q.—I see that you did sometimes lend money on Federal stock? A.—Only in one instance, I think, and that was to secure an advance to an agent.

Q.—Did you ever use the company's money in connection with any of this capital stock that has, from time to time, been in your name? A.—No, never.

Q.—Either in your personal account or in trust? A.—Not at any time.

Q.—Have you ever held stock for other persons where the company's money has been used to finance the transaction? A.—No.

Q.—No shareholder has ever got any benefit from financial assistance from the company in connection with the stock? A.—In no case.

Q.—Then did you get your proportion of that capital stock, Mr. Dexter? A.—Yes.

Q.—Did all the shareholders take up their stock? A.—Not all of them.

Q.—What amount was not taken up? If you do not know we will leave that in the meantime. Give me a statement of the impairment you had from the beginning of the company to the present time, year by year; can you do that? A.—No, I could not do that.

Q.—Then without that particularity? A.—We had an impairment at one time of \$40,000.

Q.—In 1890, was it not? A.—Yes, 1890.

Q.—How did you make good that impairment? A.—It was partially made good by a contribution from certain shareholders.

Q.—Who are they? A.—By Mr. J. S. Beatty, Mr. H. Aikins, William Kearns and Dr. T. H. Wilson.

Q.—And in what amounts, Mr. Beatty \$10,000? A.—Mr. Beatty and Mr. Wilson \$10,000 each.

Q.—And Dr. Aikins and Mr. Kearns? A.—\$2,000 each.

Q.—That made in all? A.—\$24,000.

Q.—Was that done under a formal agreement? A.—An agreement between some other shareholders and themselves, yes.

Q.—Have you the agreement here? A.—Yes.

Q.—The agreement you refer to now is dated the 4th March, 1890. (Read and filed as No. 370.) That agreement then is signed by a number of shareholders. Probably you know the signatures better than I do and you might read the names of the parties to that agreement? A.—James H. Beattie, W. Kearns, T. Holtby, W. Burns, David Dexter, John Potts, William Williams, M. H. Aikins, D. T. Whittle, William Kettle, D. G. Sutherland, John Wakefield, Thomas Morris, Thomas Blanchard, Nelson Howell, Hugh Moore, T. H. Wilson, William McCraney, R. H. Giles, T. R. Howell, H. Sutherland.



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Q.—Endorsed on the agreement is a receipt dated 24th July, 1893, and a subsequent receipt of March 9th, 1895. Then attached is an acknowledgment, signed by Beattie, Wolverton and Aikins. How did Mr. Wolverton become one of the persons to give a release? A.—There was an assignment of an interest. Mr. Wolverton bought out an interest of one of the others.

Q.—Which one, Mr. Wilson? A.—Mr. Kearns.

Q.—Then there is no receipt here by Mr. Wilson; was he paid? A.—There is a subsequent bond after that.

Q.—I see this has been made an exhibit to a declaration, has it not? A.—We furnished the Insurance Department with a copy of it.

Q.—The Insurance Department demanded a copy of it? A.—Yes.

Q.—That document was put through in March, 1890, and was the money received at that time? A.—Yes.

Q.—And continued to remain with the company at any rate in part over the end of the year? A.—Yes, for some years after.

Q.—Did you show that transaction in your Annual Return when you sent it in to the Government? A.—We did not at first but we showed the agreement to the Superintendent who thought it was necessary to add a footnote to our published statement in the Blue Book to that effect.

Q.—And that accounts for the money being shown in the Blue Book as "contributions paid by shareholders?" A.—Yes.

Q.—In the Return that is now with the Department there is this memorandum: "the above assets include a sum of \$24,000 in mortgages and other securities contributed under an instrument dated 4th March, 1890, executed by the contributors, who are described therein as certain of the directors and by others described as shareholders, wherein the persons who are mentioned as shareholders covenant and agree to repay to said contributors the amount contributed by them and assigns to the contributors such dividends, bonuses and profits as shall accrue to their shares in the capital stock of the company." That memo. is typed on your letter paper and I suppose was a memo., that the officer from the Insurance Department at Ottawa drafted at your office at the time he was making inspection? A.—I believe so.

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Q.—He thought this transaction should be shown? A.—Yes.

Q.—Did you agree with him? A.—Well, we, of course, were obliged to agree with him.

Q.—I mean that would carry your judgment now? A.—Yes, I think so; I think he was quite right.

Q.—And whether he was right or not he had the say A.—Yes.

Q.—You paid that money in, Mr. Dexter, as income A.—Yes.

Q.—It was shown in your return originally A.—It was shown in our return as income, as a contribution shown in our books.

Q.—In the same way that you had not other people showing you how to issue your stock at a premium, you had not any experience in having someone pay it in by wiping out some expense items That patent had not been evolved then? A.—It did not strike us favorably, I suppose.

Q.—So that in your case the amount was spread out on your return that you sent in to the Department, and the only change made by the officer from the Department was to make a memo, to show how that money got into the company's hands? A.—How it was obtained, yes.

Q.—Now, how was that money paid back? A.—It was repaid through the expense account by way of salary or bonus to the President, who repaid the other parties.

Q.—And who was the President? A.—Mr. James H. Beattie.

Q.—It was not carried out quite in the way the agreement expressed that it should be? A.—No, it was not repaid as soon, as rapidly.

Q.—There was considerable delay. Now, will you tell me when it was paid and in what instalments? A.—I can tell you the instalments: I think there was interest only paid in the first two years, '91 and '92: \$1,440 each. In '93, in addition to the interest there was \$3,000 of principal. '94 interest alone. '97 interest and principal, in all amounting to \$7,260. '96 interest alone. '97 interest and principal, amounting to \$2,120. I am wrong there: there are three entries in '97. \$2,900 in '97, interest and principal. '98, \$1,780, interest and principal. '99, \$2,720. 1900, \$3,600. 1901, \$540. In 1902, \$3,420. 1903, \$2,120. 1904, \$2,120, being the final.

Q.—Those are all payments of principal and interest of this agreement of 1890? A.—Yes.

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Q.—Then the document that was drawn up was departed from? A.—As to the terms of re-payment, yes.

Q.—And as to the manner of payment? A.—Yes.

Q.—And the fund from which it should be paid? A.—Well, there was not a positive agreement as to the fund from which it was paid.

Q.—It was to be paid out of dividends on the stock? A.—There was an authority to repay in that way.

Q.—Quite so. A pledging of the dividends in that way, probably, would be better? A.—Yes.

Q.—It was not paid then by the same person or entity that the agreement stipulated it should be paid by? A.—No.

Q.—It was paid by the company? A.—It was repaid out of the earnings of the company.

Q.—Repaid by the company? A.—By way of compensation.

Q.—Increased salary? A.—Yes.

Q.—That is to say it came from the company by way of expense item in carrying on the business? A.—Yes.

Q.—Apparently it was intended to pay the shareholders' dividends and then use those monies to repay the lenders. Was that really the intention or was that inserted in the agreement just to give it a good appearance? A.—Well, I couldn't say whether it was inserted for that purpose. I think it was partially the intention of the agreement.

Q.—If that was the intention why was the intention afterwards departed from? A.—I can hardly say why that was departed from. Because it was more convenient, I assume to pay through the compensation to the President for his services, who was giving his services for nothing.

Q.—If it had been paid through the dividends, I suppose the dividends of necessity, would have been pretty high? A.—Yes, that would have been a disadvantage.

Q.—It would have been a serious matter for the company to appear to be paying to shareholders monies for dividends of the magnitude that that would involve. A.—Yes, during that period.

Q.—Now then can you say that that prompted you to change the mode of carrying through the transaction. A.—I don't know that that did prompt us to make changes, because it was quite just that it should be paid in the other way. The policyholders were receiving the benefit of this contribution. The shareholders had in

every way contributed to the advantage of the policyholders, from first to last.

Q.—If the agreement had been drawn in that way, that is to express the method of carrying out the transaction that was afterwards adopted, it would have shown in the return as a liability of the company the moment the agreement was signed. A.—Yes.

Q.—And the company would have had to be a party to it? A.—Yes.

Q.—Then that would not have cleared up the impairment, would it? A.—No.

Q.—Because you would have had the liability on the other side of the account wipe out the asset you paid in. A.—I presume the object in the first place was to make that agreement so that there would be no liability.

Q.—The object of the agreement was what? A.—To avoid liability on the part of the company.

Q.—And the intention of the transaction was that the company should be liable to pay. A.—The understanding.

Q.—That is to say the object of getting so many shareholders to sign was that the company would be liable without it being shown. A.—By understanding, yes.

Q.—I suppose these shareholders control the company? A.—Not altogether.

Q.—Would it be fair to say that you had a sufficient number of shareholders sign in order, by their votes to do anything that was required to carry through this transaction. A.—I don't think that they were holders of a majority of the shares.

Q.—They might not be the holders of the majority of the shares, but would you not just frankly tell us how you had that fixed so that the company could not get out of it. A.—I don't think that was evident to any of us at the time. There was an understanding that each should make an effort to do that, that was all.

Q.—And did you not feel that while you might not, on a mathematical calculation, of the shares, have absolute control, yet that you had the thing as tight as was necessary for all practical purposes. A.—I don't think so. I think the men who signed that agreement took the risk.

Q.—They assumed the risk? A.—Yes.

Q.—Can you tell me how many shares they were short of holding 51 per cent? A.—I cannot tell you at

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the moment, but I consider they were very much short of it.

Q.—Were they the persons chiefly interested in the company, who gave the most attention to the company's affairs? A.—That is true.

Q.—That is to say you sought to have every person who would be likely to enquire about it, committed to the plan. A.—They were the men who were the most interested in the success of the company; showed the most interest in the success of the company and were anxious to do what they could to make it a success.

Q.—Were they the largest shareholders individually? A.—No, they were not the largest shareholders individually.

Q.—Who were larger than they were or how many shareholders were larger? A.—I cannot say without looking it up. I assume that there were a considerable number of shareholders who had about an equal amount. That was not taken into consideration.

Q.—You had that number of shareholders committed to a liability in case the liability was not wiped out as you planned it should be. A.—In case the company was not a success they took the responsibility.

Q.—Was there a fear at that time that the company might not survive? A.—No, there was no fear of it in the minds of these people who became responsible.

Q.—Did you ever have any other transaction of a somewhat similar nature? A.—None.

Q.—You never put through any transaction of that kind again? A.—No. The directors at that time considered they were doing what was in the interest of the policyholders as well as the shareholders in getting the contribution and that it should be repaid out of the earnings of the company.

Q.—There was a second agreement referring to this same advance, was there not? A.—Yes.

Q.—Dated the 4th February 1897, "between the several persons whose names are hereunder written, and Messrs. Beattie, Aikins and Wolverton of the second part." It recites that in order to meet the impairment in capital stock the parties of the second part have contributed certain sums. The amounts are not the same as before. A.—That was the balance of the \$24,000 remaining at that time. (Agreement read and filed as Ex. 371.)

Q.—Then would you read the names of the persons who signed that document? A.—James H. Beattie, David

Dexter, John Potts, M. H. Aikins, W. Kearns, John Wakefield, George Scott, Hugh Murray, William Williams, W. Burns, — Wolverton, A. E. Russ, J. G. Scott, T. C. Haslett. It varies somewhat from the other.

Q.—Why was that document obtained? A.—Because there had been some change in the contribution. One party had bought out another and there was some change to be made in the signatures of those guarantors.

Q.—Why was there a change in the signatures of the guarantors? A.—I suppose a larger number present at the time.

Q.—It is said that some had died in the meantime, and it was thought better to have a new lot sign? A.—Well, I presume that was it.

Q.—Meantime payments had been made, had they not, towards repayment? A.—Yes, reducing it to that amount.

Q.—And they had been paid by way of expense items, as you have said? A.—Yes.

Q.—So that by the time this second document was signed it must have been clearly in the knowledge of parties, that it was not going to be carried through as the agreement stipulated? A.—No, not in accordance with the terms of repayment, you mean.

Q.—Not in accordance with the method that these parties should pay and that they pledged their dividends and so on for it? A.—Yes.

Q.—They knew they were going to continue it out of expenses, so long as they could? A.—Yes, I presume so.

Q.—And this document was signed for the purpose of keeping the parties liable but not showing the real transaction? A.—I suppose that was a recitation of the other.

Q.—Then the document of 1890 will be Exhibit No. 370 and this No. 371. Have you told us all about transactions of that sort? A.—So far as I know.

Q.—There is no other transaction of a similar character? A.—No, no other.

Q.—Has any other means ever been adopted to keep down the impairment, that is by paying in money to the company other than the premium on capital? A.—No other.

Q.—That transaction was current at the year 1898? A.—Yes. Still we had a showing of a surplus at that time.

Q.—Then your second issue of stock was after you had obtained the Dominion Act? A.—Yes.



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Q.—That was obtained in 1898. Now, why did you apply for the Dominion Act? A.—For the same reason, I presume, that we increased our capital to a million, for the purpose of giving it a more favorable appearance to the public than under an Ontario or Provincial Act.

Q.—And, of course, there was this shortage in capital which had been made good by the directors in the way indicated and that had not all been paid off. I suppose it was desirable to get some more premium in. A.—Applying to the Dominion?

Q.—Applying to the Dominion had nothing to do with that? A.—No.

Q.—That was entirely subsequent, was it? A.—Yes, we had nothing to do with it.

Q.—Section 4 of the new Act did not increase the capital then? A.—No.

Q.—The provision in the Dominion Act as to directors is that they must own at least 20 shares of capital stock and have paid all calls? A.—Yes.

Q.—You have no provision then for policyholders having members on the Board? A.—There was a provision in the Act which may be taken advantage of by the company, if they choose.

Q.—That is to give policyholders a vote? A.—Yes.

Q.—But there is no provision that enables them to appoint particular directors? A.—No, not on the Board.

Q.—No policyholder can be a director unless he is also a shareholder to the extent mentioned in the Act? A.—That would be the effect of it, I presume.

Q.—Then section 10 governs your investment powers and I suppose that was shaped after other Acts of other companies? A.—Yes, it was an effort to follow the Acts of some of the other companies as nearly as possible.

Q.—I suppose you regard section 50 of the General Act as being broader? A.—Yes, it is slightly broader.

Q.—You have no reason to resort to this Act at all? A.—No.

Q.—Then you have power to hold real estate which comes into your hands as the result of investment of your funds by way of mortgage and so on and you have a separate clause as to real estate to be held for your own use? A.—Yes.

Q.—Have you availed yourself of this section 13 as to real estate to be held for your own occupation and use? A.—Yes, we have.

Q.—What have you done? A.—We own the offices in which we are working at the present time and another

property on the corner of Main and James Street on which we are putting up a new office building.

Q.—You have then a head office building and you have bought another, is that right? A.—Yes.

Q.—Why did you buy the second when you had one already? A.—I have a statement which may I read?

Q.—Yes. A.—With reference to the new head offices which the company are erecting at the present time, I might say that the directors gave the matter a great deal of thought and consideration before coming to any definite conclusion or decision with regard thereto. The present offices were and are wholly inadequate and insufficient for the general purposes of the company. The general staff of a life company is more or less co-operative in its work and must be kept together, and as we had not sufficient room for that purpose in the present building, without making expensive and extensive changes and alterations thereto, we decided to erect a new building. A suitable site for that purpose was obtained some years ago and last year we took up the question of the building itself. We ascertained that a building sufficient for the company's requirements alone would cost about \$100,000 and the expense of maintaining the same would be practically the same as a larger building, at any rate proportionately greater, but the income and advantages to be derived from a larger building would more than offset the extra cost. Practically the same staff would be required and the same amount of expense incurred for heating and other things, but the rents from the offices would give us, we thought, a very fair income on the whole investment and leave us our own offices for the use of the company at a very moderate cost indeed. We expect that all our hopes will be realized. I may say that we think we could, at the present time, dispose of the new building erected by us at a very fair profit.

Q.—Then is the new building completed? A.—No, it will not be completed, perhaps, for nearly two months.

Q.—What will the cost of land and building be? A.—About \$250,000.

Q.—The contract was less than that, was it not? A.—The contract was \$222,000.

Q.—Was that a contract for the entire completion of the building, doing

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all the work? A.—With the exception of vault linings and shelving.

Q.—Was it \$220,000 or \$218,000?

MR. HASLETT: \$220,000 was the original contract. We had some taken off afterwards. A.—Say \$220,000 then, would be nearer it.

MR. TILLEY: The contract would be about \$220,000, and the whole cost \$250,000. Do you think it advisable for a life insurance company to erect a large building of that kind and become landlords for many tenants? A.—Well, if a life insurance company can realize from its investment in a building of that kind 4 per cent., it is probably a wise investment.

Q.—You think a company should be satisfied with a 4 per cent. return from that sort of building? A.—Yes, inclusive of the advantage of the building, as an advertisement as well as a convenience for offices.

Q.—It is not an unknown thing for a company to obtain less than 4 per cent.? A.—I believe it has not been.

Q.—There have been cases where buildings are not supposed to bring in even near that amount? A.—So I have understood.

Q.—Do you think the Federal Life may not be risking a good deal by putting up a building of that size? A.—I don't think so.

Q.—What size is the building? A.—About 70 by 90 feet. 8 storeys in height.

Q.—It will be an office building? A.—An office building entirely.

Q.—And is there a demand for office accommodation here? A.—Yes, and from the demand we already have I should judge that it will rent very successfully.

Q.—It is an expense incurred to a considerable extent for advertising? A.—Partially so, yes. Only partially.

Q.—It is not entered upon for the purpose of investment? A.—Partially as an investment. We believed it would pay.

Q.—That is to say you think you would put the money in if the Federal Life was not to be a tenant and was not to have its name associated with the building? A.—Oh, I think not, because we require the offices, that is one reason.

Q.—But you would not adopt it as an investment merely? A.—Not alone, no.

Q.—Then you would be able to occupy it as a tenant, you think? A.—Yes, it will make convenient head offices for the company.

Q.—I suppose a company that is not perfectly sure of the return it will get is better as a tenant, especially during its growth, before it becomes a substantially large company. It is safer as a tenant, is it not? A.—Possibly so. I cannot agree with you that there is any risk in the building. I see no risk in it.

MR. LANGMUIR: Where is the location, Mr. Dexter? A.—On the corner of Main and James Streets.

MR. TILLEY: Have you sold your other premises? A.—No, I think we will have no trouble in selling them, at the cost to us or more.

Q.—Is that by reason of any attempts made to sell? A.—We have not tried to sell. We have had several applications for the property.

Q.—Are you thinking that you may not sell? A.—I think we shall sell as soon as we can take possession of our new premises.

Q.—You will then sell? A.—Yes.

Q.—How much is represented by that property? A.—About \$18,000.

Q.—Is that what it stands at in your books? A.—Yes.

Q.—Has that ever been written up or down? A.—It has been reported at \$20,000.

Q.—And then written down to \$18,000. A.—No.

Q.—It is now at \$20,000 in your books? A.—Yes.

Q.—Then you think and your Board all think that it is good advertising and will not turn out to be an improvident investment? A.—Quite so.

Q.—The Board being unanimous on that? A.—Quite unanimous. There has been no dissenting voice.

MR. LANGMUIR: What rent do you hope to stand at after deducting the rents you expect to receive? A.—We expect to earn over 4 per cent. from the investment.

Q.—That is charging your own rent? A.—Charging ourselves with a reasonable rate for rental.

MR. TILLEY: What would you consider reasonable for the premises you will occupy there? A.—That I have hardly considered.

Q.—That has not been discussed yet? A.—No.

MR. KENT: You can make it pay any rate of interest you like? A.—By charging ourselves sufficient, of course.

Q.—Referring to what I was asking you about the capital stock; the resolution appears to be in the minutes

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of the 14th December, 1901. It is there shown that you reported that of the 3,000 new shares allotted to the shareholders, 1,838 had been accepted and that 1,162 additional shares had been applied for? A.—Yes.

Q.—“On motion of Dr. Wakefield, seconded by Mr. Macpherson, it was resolved that the applications for stock as read be confirmed and the amount of premium required thereon be paid by the 29th December next.” I suppose that you were trying to get the premium in before the end of the year? A.—Yes, we wanted to get that portion of it closed before the end of the year. Not to have it enter into two Reports.

Q.—Did you have it paid in substantially? A.—Yes, it was all paid in before the close of the year.

Q.—Did you use it to wipe out this indebtedness to the shareholders or directors? A.—Not directly.

Q.—Why not? A.—Because there was a surplus and it is added to the surplus. We preferred for several reasons that this should be spread over a number of years so that it would not affect our returns to the policyholders. We were anxious to do the best we could for the policyholders and consequently distributed these repayments.

Q.—Also anxious, I suppose, to get it paid back without the policyholders knowing about it? A.—That did not matter so much to us because they must have known it from the footnote in the Government Report if they chose to look for it.

Q.—I don't know that they would, because the footnote indicated that the shareholders who signed were to pay back the money themselves and pledged the dividends they would receive on their stock as security? A.—If the officer of the Department who made use of that footnote thought there was no liability he, of course, would not have made use of it.

Q.—I fail to hear your answer? A.—If the officer of the Department had thought there was no liability on the part of the company he would necessarily not have made use of the footnote.

Q.—If he thought there was a liability on the part of the company he would have shown it as a liability and the footnote was to indicate that there was no liability? A.—He was uncertain, apparently.

Q.—You do not quite mean uncertain? You mean suspicious? A.—Well—

Q.—He could not be uncertain on reading the document, because the document is perfectly certain and plain, but all that he could feel about the transaction was a certain amount of suspicion that the document was a little bit faked, isn't that right? A.—I don't know that. I don't think so. He did not express that.

Q.—You think an officer who understands insurance methods would be rather crude if he were not able to read through that document and see between the lines, is that what you mean? A.—No, I did not think that. I am quite satisfied that the Superintendent who read it expressed the opinion that the company was liable under it.

Q.—He thought the company was liable, but as a matter of fact the company was not liable? A.—I am not certain of that.

Q.—Do you think the company was liable? A.—From the opinion I have heard expressed since, I do.

Q.—By reason of what? Nothing in the document? A.—Think not?

Q.—What do you think? A.—I am not a professional man; I cannot say.

Q.—You think that the company was in that round-about way so tied up that there was a direct liability on it? A.—I don't know.

Q.—Did you draw the agreement? A.—No, I did not. But I know at the time it was intended that it should not be liable, but I have understood since, from a legal opinion, that that was not quite correct. That my opinion was not quite correct.

Q.—Then Section 14 of the Act provides that the directors may set apart certain sums out of the surplus, for the purpose of distributing as dividends? A.—Yes.

Q.—That is the usual clause in many charters? A.—Yes.

Q.—Under it you are obliged to keep your participating and non-participating business separate? A.—I don't know that we are obliged to do so, but we should do so.

Q.—This says, you must ascertain the part of the profits which is applicable to the participating policies, distinguishing such part from the profits derived from other sources? A.—In setting aside profits.

Q.—Yes. In order to properly determine what sums should be set aside in that way you must keep your business separate? A.—In order to properly determine the exact



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amount to be set aside he should, yes.

Q.—You carry on both participating and non-participating business, do you? A.—Yes.

Q.—Do you keep the two branches of the business separate? A.—We have not done so in reference to profits.

Q.—You have been paying out profits to policyholders? A.—Yes.

Q.—And profits to shareholders? A.—Yes.

Q.—And you know that so far you have not transgressed the limits laid down in this section? A.—We have not transgressed it in reference to the participating policyholders. That is they have received at least their 90 per cent and probably considerably more. I presume they have received more than 100 per cent. of what they were justly entitled to.

Q.—How did that come about? A.—Because the shareholders have not received what they were practically entitled to from the earnings of the investments of the company.

Q.—Do the directors of your company declare a certain amount to be paid out by way of profits? A.—They may have done so, by resolution in one or two instances.

Q.—Fixing upon a certain amount to be paid out. A.—A certain amount to be distributed.

Q.—Then at least 90 per cent of that is paid to the policyholders? A.—Yes.

Q.—Or is the whole of that sum paid to the policyholders? A.—The whole of that sum is paid to the policyholders, of course. The directors set aside so much.

Q.—The directors declare and set aside for policyholders, so much? A.—Yes.

Q.—And then they declare and pay to shareholders a dividend? A.—Yes.

Q.—And this Section has never come up for consideration in connection with these declarations? A.—No, not in connection with those resolutions.

Q.—Have you ever considered it for any other purpose? A.—Yes, I have considered it in discussing the matter with the Superintendent of Insurance.

Q.—What feature of it? A.—The question as to whether the shareholders were getting more than their proportion in the way of dividends, and I was able to convince him that the shareholders were very much at a loss so far.

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Q.—Did he take the view that the shareholders had been dealt with too liberally? A.—It was only a question asked as to how it stood.

Q.—He asked you how it worked out? A.—Yes.

Q.—And you were able to convince him that you had been within the section? A.—I think so.

MR. KENT: Then you are going to have trouble with your shareholders now? A.—In what way?

Q.—You say they have not had their proper share of the dividends. A.—Oh, they are prepared to wait; they are long-suffering and patient people.

Q.—You can reply for all of them? A.—I think so.

MR. TILLEY: Then there is the provision about non-forfeiture in case of lapse after three years, and by Section 16 the company may give policyholders a certain right of voting. Has the company ever exercised the privilege contained in that section? A.—No.

Q.—The policyholders in your company have no right to vote. A.—No right to vote.

Q.—Has it ever come up for discussion? A.—Never come up for discussion. I don't think there has been any feeling on the part of the directors that it would be advisable.

Q.—Would there be any feeling on your part that it would be advisable? A.—No, quite the contrary.

Q.—Would you not favor a provision that policyholders should be given a reasonable privilege of presenting their views to the Annual Meeting? A.—I don't see that there is any particular advantage in that. So far as I knew where it has been introduced it has usually been a farce.

Q.—The profits paid out to policyholders exceed the profits paid out to shareholders? A.—That is true.

Q.—Their interest in the profits of the company is much greater than the interest of the shareholders. A.—I don't know, their responsibility is not so great.

Q.—Why not? A.—Because the shareholders took all of the responsibility in the organization of the company. Took all the risk. The policyholders' interest is an individual and selfish interest only, not calculated for the benefit of any other policyholders.

Q.—The shareholders' interest, on the other hand, is not personal? A.—It is mutual between themselves.

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Q.—It is for the benefit of the policyholders? A.—No, it is mutual amongst the shareholders, and the success of the company is the success of the shareholder.

Q.—And the success of the policyholder? A.—Yes, the success of the company is the success of the policyholder.

Q.—As between shareholder and policyholder, the shareholder is the man who can get out of the company and the policyholder is the man who cannot get out, no matter what he thinks of the management? A.—Well, is there any reason why he cannot get out?

Q.—How can he? A.—He can withdraw, can he not, and take a paid-up policy?

Q.—And sustain a loss? A.—He will not sustain much of a loss in taking a paid-up policy. He can get out at a loss and the shareholder can also, I presume.

Q.—Is he out if he takes a paid-up policy? A.—He is out. He can take a cash surrender value.

Q.—Without loss? A.—Not entirely. Still, it is quite as great a loss to the company.

Q.—But we are not considering the loss to the company. The policyholder cannot leave and change his company without sustaining a loss, can he? A.—No, I assume that.

Q.—The shareholder can? A.—That is if the company is successful, he can.

Q.—If the company has been successful? A.—Yes.

Q.—What sort of a return have your shareholders received on the moneys they have put into the company up to the present time? A.—The shareholders have received in return in the way of dividends \$72,197.08. Had they been paid five per cent. on the money, the average rate of interest earned, they should have received \$167,929, some \$94,000 more than they have received.

Q.—I suppose you say that with pride from one standpoint? A.—Yes.

Q.—And disappointment from another? A.—Yes; pride that the shareholders have been as careful of the interests of the policyholders as they have.

Q.—And disappointment that the shareholders have not been able to get more? A.—That is right.

Q.—What about your shareholders voting by proxy? Do they exercise

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the right of sending in proxies? A.—Yes.

Q.—And stating their views? A.—Yes.

Q.—How are their proxies obtained? A.—Well, there have been forms sent out in former years; latterly no forms have been sent unless asked for.

Q.—You have not been in the habit of sending out proxies? A.—Not unless asked for.

Q.—Do you hold many proxies in the company? A.—I have always held a reasonable share.

Q.—What would the President of a company regard as a reasonable share? A.—I have held a majority of the proxies that were given.

Q.—Can you estimate the number? A.—Oh, I should say representing about 1,000 shares.

Q.—You represent 1,000 shares by proxy? A.—Yes.

Q.—When the capital stock was not fully subscribed on the second issue, you subscribed 1,736 shares in trust? A.—Yes.

Q.—Whom did you represent in that transaction? A.—I represented five directors.

Q.—Out of how many? A.—Out of 13 or 14.

Q.—What directors? A.—Mr. Cairns, Mr. Wolverton, Dr. Potts, Mr. Hazlitt and myself.

Q.—What was the interest of the parties in that stock? A.—An equal interest.

Q.—What was the object of subscribing for it in trust? A.—There were two objects; first, to take up the amount of stock that had not already been subscribed, so that there would be none left; and the other was that no one person should get control of the company.

Q.—Was there an agreement between you? A.—There was.

Q.—Have you that agreement? A.—We have it here.

Q.—You produce agreement dated 20th December, 1897, between the several persons whose names are mentioned. Endorsed on that is an assignment. Then attached is an agreement on the 20th December, 1897. It does not seem to have ended there either? A.—No.

Q.—Another agreement 14th December, 1900; is that the last agreement? A.—That is the last.

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Q.—Tell me what the object of all this is? Is it to get control of the company? A.—It is to prevent any single individual getting control of the company.

Q.—Was there any threatened action by any person else to obtain control? A.—There has been at different times.

Q.—When was the last? A.—Some time previous to the purchase of this last stock.

Q.—Some time previous to the purchase— A.—A year or two years previous to 1897.

Q.—Was it before or after the allotment of this new stock? Of course it would be before? A.—I think so.

Q.—Had the issue of new stock anything to do with that? A.—Not at all.

Q.—The trust fund got— A.—The trust fund was equally distributed before the issue of that stock to what it was afterwards.

Q.—What do you mean by that? A.—The same proportion.

Q.—The same control? A.—According to their holdings, what they held previously, what the individuals held previously.

Q.—Then the trust had a control in 1900? A.—Practically, yes; since these men had the largest share in the stock.

Q.—The stock held under these agreements controlled the company? A.—The stock held under those agreements was simply the amount of the trusts; that would not be sufficient alone.

Q.—Mr. Hazlitt thinks you and I misunderstood each other in some way. In the list of shares allotted as part of the 3,000 shares when the stock was added to, to that extent, David Dexter in trust appears for 1,737 shares? A.—Yes.

Q.—I understood you to say that the stock was allotted to shareholders in proportion to their then holding in the stock? A.—Yes.

Q.—The resolution I referred to a moment ago indicates that 3,000 new shares had been allotted, and 1,838 shares had been accepted; that would be the number of shares accepted by shareholders? A.—Yes.

Q.—In proportion to their then holdings? A.—Yes.

Q.—And these 1,162 additional shares had been applied for? A.—Yes.

Q.—Who applied for those additional 1,162 shares? Was that David

Dexter in trust? A.—No, not altogether; there were several applicants for it, and each party who signed that agreement made application for a certain proportion of it, and others besides. There were others outside whose applications were in for additional shares.

Q.—Some of the gentlemen who signed this agreement applied? A.—Yes.

Q.—And did they get stock pursuant to their applications? A.—Yes.

Q.—Was it taken in the name of David Dexter in trust? A.—Yes.

Q.—So that the applications would be made in the individual names and David Dexter in trust account would take care of itself? A.—That is the way it was carried through.

Q.—As the result of that the David Dexter in trust shares increased out of proportion to the shares of the other shareholders in the company? A.—Yes.

Q.—That is where we misunderstood each other? A.—Yes.

Q.—The David Dexter in trust account got more than its pro rata share by reason of being a subscriber for additional shares? A.—Yes.

Q.—Have you your subscription book here, or anything that will show to what extent the directors, parties to that agreement, got that 1,162 shares? A.—To what extent they got it?

Q.—Yes. You say some other shareholders got some of it. Did the other shareholders get 20 shares or 100 shares? A.—What ever they applied for over and above the—

Q.—Mr. Haslett has handed me a copy of a circular that probably will explain it to you. We will read it and see. It is dated Hamilton, November, 1900, communication by Mr. Dexter, Managing Director, in the form of a printed circular, issued to the shareholders. This is the draft of it. (Reads document filed as Exhibit 373.) That does not quite give the information I would like to have? A.—I have sent for the file which will show the complete application.

Q.—We will drop that for the present. What is the total holding of shares in the company by David Dexter, in trust and by other persons as part of this trust account? Will you read out the names? A.—Do you mean the total holdings individually, outside of the trust fund, and with it? The trust fund has 1,467 shares.



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Q.—But there are others. Accounts in trust are part of that? A.—No. It is not connected with it.

Q.—Let us have the trust account as it stands now? A.—1,467 shares.

Q.—David Dexter in trust? A.—That is the whole of it.

Q.—Now give me the holdings of the persons who are parties to that syndicate? A.—My own name stands for 563 shares, my own holding, exclusive of the trust. Mr. Haslett 523 shares, Mr. Kearns 488, Dr. Potts 423, Dr. Wolverton 488, Mr. Scott 575.

Q.—That completes it? A.—That completes it.

Q.—Total 3,207? A.—In addition to that there is the Beattie estate—no, I am wrong about that, it is not in it.

Q.—What is the total?

MR. KENT: The total is 4,527.

MR. TILLEY: Out of how many shares? A.—Out of 10,000 shares.

Q.—What other shares have any of these parties or their families? A.—Well, my own family—

Q.—Or particular friends? A.—Mrs. Dexter 50 shares, Miss Zolla 100 shares, Mrs. McLaughlin 80 shares. That is in connection with my family, and Mr. Haslett has in trust 50 shares, and the Macpherson estate 200 shares, Mr. Haslett in trust. Dr. Potts has Margaret Potts 10 shares, J. E. Potts 25 shares, Margaret E. 25, Frank H. 25, Edna R. 25 shares.

Q.—Is that all? A.—That is all the families connected with it.

Q.—So that including the shares belonging to the trust fund and the shares held otherwise by the members through themselves and their families, the directors, party to that agreement, held the control of the capital stock? A.—Very nearly so, I think.

Q.—That makes it more?

MR. KENT: 5,117.

MR. TILLEY: That is right? A.

—That is right, I think.

Q.—And I suppose that was the intention when the agreements were drawn, because I think you have as little respect for a person who could not read between the lines of those documents as a person who could not read between the lines of the other agreement you put in? A.—There is no doubt that was the intention.

Q.—That these directors should come together on an understanding that they should get the control of the company, and that understanding has been carried out? A.—Yes, a

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party of five or six, rather than that any one man should get the control.

Q.—Or any other five or six? A.—Yes, probably so.

Q.—Or all the rest put together? A.—These men had given their attention and time to it for the success of the company.

Q.—I suppose they had been getting their directors' fees and so on? A.—Not very large.

Q.—Was it not about time some of them should step down and let other shareholders, with equal interests, come in and get a little education in insurance matters, and find out what impairment of capital means, and so on? A.—I think they are all aware of what that means.

Q.—They did not need that education? A.—No.

Q.—Your Board now has absolute control? The policyholders have no vote, and the vote of all the other shareholders does not count? A.—There is an absolute control in the hands of five or six.

MR. KENT: One of the first questions put to Mr. Dexter was as to whether any man or any set of men controlled the stock, and Mr. Dexter said no.

WITNESS: I do not remember saying that.

MR. TILLEY: My recollection is—I do not know whether I followed it up to the present date, but I commenced asking questions as to the original subscriptions at the time the company was organized, but I cannot tell from memory whether I followed it up or not, I remember getting the answer, but I do not remember the time.

WITNESS: If I gave an answer to that effect referring to the present time, or any time within the last three or four or five years, I would be wrong, because I did not intend to give it in that way.

MR. TILLEY: My recollection is getting a little more distinct that that was an answer to the question as to the present time.

WITNESS: Then it should be corrected, because I had no intention of giving such an answer.

Q.—We have the fact now as to how that matter stands? A.—Yes.

MR. KENT: Mr. Dexter said just now that these parties very nearly controlled it.

MR. TILLEY: Mr. Haslett is drawing the same distinction that Mr. Dexter is. Mr. Haslett to me pri-

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vately, and Mr. Dexter, in the witness box, say that there is a small shortage owed by the families of these persons, and of course while they may be able to control it in theory, in practice they cannot; that is it cannot be said that they had actual control, although probably the vote would be always with them.

MR. KENT: We cannot imagine any outside vote succeeding in turning out Mr. Dexter.

MR. TILLEY: As I understand you acknowledge the position that it was the intention to carry through that transaction in that way that would place the control in the hands of a certain body of the directors and remain there? A.—Yes.

Q.—And that no one man would break away from that arrangement but each must be governed by a majority of those directors? A.—Governed by his own opinion. It is only as far as the trust stock is concerned that they are governed by the majority.

Q.—The trust stock is the bulk of the holding? A.—Not at the present time. It is only 1,467 shares out of 10,000.

Q.—1,467 of that is held in trust? A.—That is only a balance wheel.

MR. KENT: I was wondering why the shareholders would not kick or would not complain when they were not getting their share of the profits, but I can see a reason now.

MR. TILLEY: Have the parties to that syndicate arrangement each paid for his own share? A.—As far as the syndicate stock is concerned?

Q.—Yes? A.—Each has paid so far as it has been paid for.

Q.—And the rest is being carried, I suppose, as the agreement contemplates by a loan? A.—Yes.

Q.—And that loan is not from the insurance company? A.—No, no connection with it, whatever.

Q.—Nor from any company that is in any way associated with the insurance company? A.—No connection whatever.

Q.—Is it right to say that as between themselves they are all on the same footing? No one has paid up in full his share in connection with the stock that is pledged? A.—Not in connection with the stock that is pledged.

Q.—So that anyone can be called upon to pay his share at any time? A.—I do not understand you.

Q.—The parties could call upon the directors to take up his proportion? A.—Yes, provided the others did the same.

Q.—And if anyone made default he would lose his interest in it and forfeit to the others? A.—Yes. There was no intention of doing anything of that kind.

Q.—I suppose that stock is looked upon by you as being fairly valuable? A.—Yes, I think it is a good investment.

Q.—By reason of the long period when no large dividends were paid? A.—Yes, possibly that, but more particularly with reference to the future of the company.

Q.—The dividends you have paid are as follows:—from 1891 to 1896 inclusive no dividend at all? A.—No.

Q.—In 1897 there was a sum of \$4,773.60? A.—Yes.

Q.—Will you tell me how that amount was reached, at what rate? A.—Was that 6 per cent.? I think so.

Q.—In 1898 it was \$5,479.50. What rate is that? A.—The same rate.

Q.—But more was paid up? A.—Yes.

Q.—It was 6 per cent. in 1897, 1898, and how long? A.—1899 and 1900. In 1901 it was 8 per cent., and also in 1902. It was 6 per cent. in 1897, '98, '99 and 1900.

Q.—It has been 8 per cent. since? A.—8 per cent. since 1901.

Q.—How long has this agreement been in force. That is to say, how long have you had control in the way you now have it under this agreement? A.—Since 1897.

Q.—It was about 1900, was it not? A.—The first was drawn in 1897.

Q.—You did not get control under it? A.—Quite as much so as under the last. That was before the issue of new stock.

Q.—You think then your position under that agreement was relatively the same before the new agreement or after that? A.—Yes.

MR. LANGMUIR: You speak of this agreement as preventing other parties or an individual getting control? A.—Yes.

Q.—Have you reasonable assurance that there was any attempt to get control? A.—Yes, previous to that time there was more than one attempt. However it was not entirely that others should get control, but that no

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one among ourselves should get control.

MR. TILLEY: Was there any disagreement among the directors? A.

—None at all. We were harmonious, but it was hard to tell what might happen.

Q.—Each one was watching a bit, was he? A.—Not that I know of, and I can say, in answer to that, that our Board has always been very harmonious.

MR. KENT: Would this be a good time to start a new insurance company, Mr. Dexter? A.—No, I think not. I think it would be a very bad time.

MR. TILLEY: You have produced a list showing the distribution of the annually allotted shares in 1900, made at the time, and the following persons got shares in addition to their pro rata share of the new issue as follows:—M. H. Aikins 57. There is another Aikins mentioned here. Are they both directors? A.—H. W. is not but M. H. is.

Q.—M. H. Aikins, 57; David Dexter, 167; T. C. Haslett, 100; W. Kearns, 150; Rev. John Potts, 200; Rev. John D. Scott, 157. and Dr. A. Wolverton, 150. Those added together will make 1,467? A.—I presume so, yes.

Q.—Then the other persons named in the list, not directors of the company, got the balance of the 1,800 odd shares that were not taken up by the shareholders pro rata? A.—Yes.

Q.—How can it be that, gaining some 1,400 shares in that way, that your control was not more complete after that than it was before? A.—It represented only about a proportion of the issue, slightly over—

Q.—But those are shares taken in addition to your pro rata shares? A.—Yes.

Q.—If you got 1,400 and over shares at that time in addition to what you were entitled to pro rata, you must have substantially increased that control? A.—I presume we increased the control, but it was practically sufficient before, with what support we had outside.

Q.—Is it not significant that at that time you had impairment of capital: that is if the real transaction had been shown, some of the shareholders had paid in money, but still there was impairment if they had not. You had issued new stock. You had collected a premium on it, to go to

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the surplus of the company. You got more complete control, and then in the next year you increased the rate of dividend? A.—Not unreasonably so, I think.

Q.—You increased it at a time that one would think possibly that an increase would not have been made under the conditions of the company at that time if it were not that the persons making the dividend had a substantial advantage in raising the rate? A.—The object in issuing the stock at 140—at least it was anticipated when the stock was issued at 140 that the dividend would be increased to 8 per cent., as the company was in a position to pay 8 per cent., notwithstanding the slight proportion of that impairment which was left—

Q.—If the company was in that position to pay 8 per cent., it would hardly seem reasonable. You were asking the shareholders to pay a premium and issue new stock? A.—Not at all. We issued new stock for another purpose altogether.

Q.—Simply to give strength to the company? A.—To give strength to the company before the public.

Q.—That stock was increased for the purpose of advertising it? A.—Yes, mostly so and the premium is justly due from the new shareholders as compared with the old ones who had received nothing for the use of their money for a number of years.

Q.—Then you have, I suppose, considered from time to time the investing powers of insurance companies, have you not? A.—Yes.

Q.—And I suppose you have in your mind, fresh to give in evidence, all the improprieties in regard to your investments that have existed from 1891? A.—Quite so.

Q.—To the present time? A.—Yes.

Q.—The Statute of Limitations, so far as we are concerned, is fifteen years—1891? A.—Under our original Charter, which was in force with us until 1898, we had practically unlimited power at the discretion of the directors, but which was not mis-used we think in any way, although in one or two instances since, during that time and since, four or five instances during that time and since, small loans were made to directors on good security, and we overlooked the fact that the alteration in our Charter brought us under the terms of the



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Canada Companies' Act which excludes loans to directors.

Q.—You could not overlook that, could you? A.—It is not in our Charter. It refers to the Canada Companies' Act.

Q.—What does? A.—Our Charter. It refers to the Canada Companies' Act.

Q.—And it was incorporated in it? A.—We overlooked the fact.

JUDGE MAC TAVISH: The prohibition is not expressed in your Charter? A.—No.

JUDGE MAC TAVISH: The prohibition is not expressed in any section.

MR. TILLEY: No, but the Act is stated, and in the Act is the prohibition.

WITNESS: Yes.

Q.—You did not look at the Act in connection with the loans? A.—No. We were in the habit of making these loans—well, I should not say in the habit, because we only made five or six small ones.

Q.—Give me some since 1891? A.—I think there was a small one to Mr. Kearns. I can give you the names, but not the amounts.

Q.—Take one of your own and you will know something about it? A.—Yes, I know something about it.

Q.—Tell me about any one of your own? A.—There was only one—well, there was two—there was only one, but it was supplemented.

Q.—That is the one, David Dexter in trust? A.—No, there was no loan in trust, anything to me in trust was security for the company. The loan was made direct to me on the security of Bank of Hamilton shares.

Q.—That is David Dexter in trust? A.—Yes, for the company.

Q.—Why do you say for the company? A.—Because under the agreement with the company I held the shares in trust for the company.

Q.—Let us see the agreement. A.—I have not the agreement here.

Q.—You then bought some Bank of Hamilton stock, did you, for the company? A.—Yes. Not for the company—bought for myself.

Q.—And you borrowed from the company? A.—I borrowed from the company instead of borrowing from the bank.

Q.—Did the stock stand in your name, in trust? A.—It stood in my name, in trust for the Federal Life Insurance Company.

Q.—As security to the Federal Life? A.—Yes.

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Q.—What was the amount of the advance? A.—The total amount of the advance—

Q.—It was originally \$11,150? A.—Yes.

Q.—On 50 shares of Bank of Hamilton stock? A.—Yes.

Q.—And then it was increased to \$16,000 on 84 shares? A.—Yes.

Q.—What was the Bank of Hamilton stock worth then? A.—I can scarcely say. It was worth, at any rate, a 10 per cent. margin, it was held good over it.

Q.—What you have here is, "value \$19,000." What was that the value of? The 50 shares or the 84 shares? A.—The, 84 shares.

Q.—If 84 shares were worth \$19,000 how much were 50 shares worth? (No answer.)

Q.—Was that loan approved by the Board? A.—Yes.

Q.—Can you refer to the Minute showing the approval? A.—The first two loans were approved by the Board, \$5,831 each, I think, Oct. 11th.

Q.—On October 11th you received \$5,831.25? A.—Yes.

Q.—That, I suppose, was the total price you paid for the stock? A.—I do not think that.

Q.—It would look like it? A.—Why so?

Q.—Because that is the price about for the 84 shares? A.—Yes, but the stock at that time—

Q.—These 50 shares would be \$11,300 at the same ratio, and you had just about that amount there? A.—The stock was selling at that time at 333.

Q.—You paid into the company on October 28th \$512.50. Was that dividends? A.—It may have been—no I think not, because it is not dividend date.

Q.—What would that \$512.50 be? A.—The probabilities are that the stock had reduced a little in price, and I paid that much into the company.

Q.—Can't you tell from your own books how much that \$5,831.25 was—whether it was not the whole of it? A.—I cannot tell now.

Q.—Have you these entries in your books? A.—No, we have no entries whatever. The \$16,500 was the cost of the 50 shares.

Q.—At what price A.—330 I figured it.

Q.—How do you know it was 330? A.—I remember it distinctly, I have good reason to remember it.

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Q.—In 1902? A.—Yes—no, I am wrong it was 233. I meant to say 233. I was quite wrong. That was the full amount I paid in: \$512.50 is the difference.

Q.—That means that you bought that stock and issued the company's cheque for it at that time? A.—Possibly I did.

Q.—Without any resolution of the Board? A.—No, there was a resolution of the Board.

Q.—I have a resolution for a loan of \$5,775 to David Dexter at 5 per cent. On the security of shares of Bank of Hamilton stock? A.—Yes, and next meeting you will have another resolution.

Q.—I fancy not? A.—It is not very far from it, either before or after.

Q.—That was on the 27th October, 1902? A.—There was one earlier than that.

Q.—I was wrong. It was on the 20th October and these transactions were put through on the 11th and 15th so that there was no authority for that until after the transaction was put through, and there was no margin on it until two weeks afterwards? A.—Yes.

Q.—That is to say the company's funds were used to pay the full price of the stock without any payment made by you on account of it until October 28th, when you think probably the stock fell in value? A.—No, I do not think so now. I am satisfied this was the margin that was intended, and then probably on December 1st the \$250 was when there was a little reduction in the price of the stock.

Q.—No, that would be dividend, because it comes in again June 1st. A.—Yes.

Q.—In the same account August 21st there is an amount \$1,110? A.—Yes.

Q.—Is that another advance? A.—There was an allotment of 6 shares in connection with it. This is another advance.

Q.—At what rate? A.—It was at 185, I think.

Q.—How many shares? A.—Six shares.

Q.—So that that was the full amount of the allotment price? A.—Yes.

Q.—On December 28th there was a credit item, but on March 24th, 1904, there was an advance of \$5,775? A.—Yes.

Q.—That was to take up more stock? A.—That was another purchase when the stock was reduced.

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Q.—Down to what rate? A.—206.

Q.—How many shares did you get then? A.—26 or 28. 26 I think.

Q.—It was 28, was it not? A.—Yes, 28.

Q.—That made the 84 shares? A.—Yes.

Q.—The 84 shares at 206 would be worth how much, \$17,304? A.—Yes.

Q.—And you had, at that time, owing on it \$16,775, had you not? A.—Yes.

Q.—You paid \$775 on March 25th? A.—Yes.

Q.—And \$16,000 on June 25th? A.—Yes.

Q.—Was that completely taken away from the company then? A.—No, it was transferred. Owing to the objection raised by the Department of Insurance, it was transferred to another party.

Q.—Who was it? A.—Mr. McLaughlin.

Q.—Where is his account? A.—It comes in a little later.

Q.—Then on June 17th apparently a loan was made by the company to G. E. McLaughlin, Hamilton? A.—Yes.

Q.—Of \$18,000 on 84 shares of Bank of Hamilton stock? A.—How much was the stock?

Q.—The value was \$18,000. The loan was \$16,000? A.—Yes.

Q.—Was the cheque for that actually issued by the company or was it just on a transfer in the accounts? A.—A transfer.

Q.—No crossing of cheques? A.—No, only an agreement.

Q.—Who was G. E. McLaughlin? A.—My son-in-law.

Q.—It was still your stock? A.—Yes, by agreement between us, although he became responsible as well as me.

Q.—But it was your stock? A.—It was the original stock.

Q.—He never became interested in the stock? A.—No more than to become responsible.

Q.—He got all the risk and none of the benefit; is that true? A.—Yes.

Q.—How did he become responsible to the Federal Life? A.—By signing an agreement to that effect.

Q.—Have you the agreement? A.—No, I have not.

Q.—I would like to have all agreements that were signed with respect to these loans? A.—All right.

(Adjourned for one hour.)

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# AFTERNOON SESSION.

MR. TILLEY: Mr. Wegenast of the Mutual Life made some mistake in his evidence yesterday and is here now and would like to correct it, if your Honours will permit the interruption?

JUDGE MAC TAVISH: Yes, certainly.

GEORGE WEGENAST recalled.

JUDGE MAC TAVISH: What is the correction you desire to make? A.—Your Honours, just about the time that the Commission was rising in Waterloo last night, Mr. Geary and I were discussing the question of the ratio of expense to income. Mr. Geary asked me what was the ratio of expense to income in our company for 1905. I said it was 17.8 per cent. which it is. We then discussed certain questions in connection with such a ratio to a company's expenses; that is in regard to whether it would be fair in case of all companies. My views are already on record in that regard, and I will not repeat them, but Mr. Geary wound up by suggesting this, to which I unwittingly agreed, and which I wish to correct now, that no particular significance could be attached to the ratio of expense to income. I said, no. I think it is due—

MR. GEARY: My suggestion was hardly that.

THE WITNESS: Well, I am subject to correction. However, that is what I was told. I do not remember myself, but I think it must have been due to the fact that I was under examination for about eight hours and I was very tired, and I did not seize the significance myself, fully, and I wish to merely say that I do regard the ratio of expense to income as one of very great significance; that is to say, it does make a difference whether a company's ratio of expense to income is 17, 20 or 25 or 30 or 50 or more, and it will make a very great deal of difference to policyholders in a company if its ratio of expense is 17, or 18, or more. I do not wish to be on record as saying that it would make no difference what ratio the company's expense was.

MR. GEARY: It arose from a statement in the report on which they laid some stress, that the ratio of expense was 17.45 or something of that sort.

JUDGE MAC TAVISH: Yes, there was a reference to it.

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DAVID DEXTER recalled.

MR. TILLEY: You were going to get the loan agreements? A.—Yes, I find in hypothecation agreements, that the hypothecation agreements for stock were always handed to the borrower when the loan was paid off, and usually destroyed, as in this case.

Q.—That was the ordinary form of hypothecation agreement signed by your son-in-law? A.—Yes, containing a covenant.

Q.—That he would pay? A.—Yes.

Q.—The stock being transferred to him in order that the loan might be made to him and not have your name appear? A.—Yes, that was it.

Q.—Was there a loss on that loan? A.—No loss whatever.

Q.—The company got 5 per cent. interest? A.—Five per cent. interest.

Q.—Was that a fair rate? A.—A fair rate. Part of the time there was 5½.

Q.—On this loan? A.—Yes.

Q.—Did you pay to the company throughout the whole transaction the rate the company was then receiving on similar transactions? A.—That was precisely it.

Q.—No advantage to you in any shape or form? A.—No advantage whatever. We had a similar loan to a broker, and when we charged him 5½ I paid 5½.

Q.—Does that exhaust everything with regard to that transaction? A.—Yes.

Q.—The stock was sold, was it? A.—Yes, sold.

Q.—And the account is now closed? A.—It is now closed.

Q.—There is nothing remaining of that in the books of the company? A.—No, not since a year past.

Q.—Now, Mr. Dexter, have you had any other loans from the company? A.—None.

Q.—Or any other financial assistance of any kind from the company? A.—None.

Q.—Has the company ever loaned money without security at all? A.—Not that I am aware of. I have no recollection of it.

Q.—You would know it? A.—I would know it.

Q.—If such a transaction had taken place you would have known it? A.—There has been no loan of any kind without security.

Q.—You have always got some security, no matter how sound financially the borrower was? A.—True.



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Q.—What other shareholders in your company have had loans? A.

Dr. Wolverton, one of the directors, had a loan.

Q.—Dr. Wolverton had a loan of \$1,000 at 6 per cent. interest on 10 shares of Landed Banking and Loan Company's stock? A.—Yes.

Q.—The doctor is your medical referee? A.—Yes.

Q.—The value of the stock stated in the account is \$1,200? A.—Yes.

Q.—Was that a stock on which you could lend money? A.—Yes, I believe so.

Q.—You would think that was an authorized investment? A.—Oh, I am satisfied of that.

Q.—The objection to it arises out of the person to whom the loan was made? A.—Yes.

Q.—How did that loan come to be made? Was it authorized by the Board? A.—I believe so. I am confident of that.

Q.—It was known by all the Board? A.—It was known by all the Board.

Q.—And approved? A.—And approved.

Q.—Was the application for the loan made to you? A.—Yes.

Q.—Personally and you approved of it? A.—I approved of it, and it was also approved of by the Executive Committee.

Q.—That was not the last loan that he had? A.—No, there is still another. That one was paid off in March, 1904. There was another loan July 13th, 1904.

Q.—What was the security? A.—Fifty shares of the Cataract Power, Light and Traction Company preferred stock.

Q.—Was that a security authorized under the Act? A.—I believe so.

Q.—The value of it was said to be what? A.—\$5,000.

Q.—Was that the market value? A.—That was the market value at that time.

Q.—What is the market value of it now? A.—About \$250 more.

Q.—\$5,250? A.—Yes.

Q.—That loan was repaid April 15th, 1905? A.—Yes.

Q.—Might that be associated with the sitting of the Commission in any way, April 15th, 1905? A.—No, not at all. It would have been paid off anyway.

Q.—It was a year too soon. Then does that exhaust Dr. Wolverton's loans? A.—Yes.

Q.—What other shareholders have had loans?

MR. TILLEY: Shareholders or directors. I think the Act covers either. Let us have the directors first. A.—Mr. Murray.

Q.—A loan of \$700 on 41 shares of Hamilton Masonic Hall Company, and what is the rest? A.—I do not understand the contractions there.

Q.—On 10 shares of the capital stock of the Aid Savings and Loan Company? A.—Yes.

Q.—It is said the market value was \$1,200? A.—Yes.

Q.—Is there an established market value for either of them? A.—There is, I believe, a market value based upon the interest paid upon Masonic Hall Company's shares.

Q.—What interest is paid on Masonic Hall shares? A.—Four per cent.

Q.—And the value of the stock? A.—The value of the stock at 75.

Q.—What interest is paid on the other? A.—At the present time I believe, there is nothing. I do not know what was paid on it at the time this loan was made.

Q.—Were either of those two stocks authorized under the Act? A.—I think the Masonic Hall Company and the Loan Company would be.

Q.—Would you lend on those stocks in the ordinary course of business? A.—Perhaps not for a permanent loan.

Q.—Would you change "perhaps not" to "not"? You are pretty sure about that, are you not? A.—Not on a permanent loan at the present time.

Q.—Would you lend a person just wanting to do business with you in the ordinary way to come in and get a call loan on those two stocks? A.—No, not now, because the latter named is useless at the present time.

Q.—I suppose you would not have done it then because with your knowledge of those things you would have feared it might have become useless? A.—I think they were perfectly safe at that time.

Q.—You think you would have loaned on it? A.—Yes, with a call loan.

Q.—That loan was paid off December 28th, 1903? A.—Yes.

Q.—That looks dangerously near the end of the year? A.—I do not think it had any reference to that. It was only a temporary loan in any event.

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Q.—You think it was not called in because of the annual returns? A.—No, I think not.

Q.—Then what next? A.—There is Mr. Wakefield. That is a real estate loan.

Q.—Where is the property? A.—The property is situated on Wentworth Street in this city.

Q.—What is the number of the loan? A.—No. 51.

Q.—Give me the amount of it. Loan 51 is a loan on May 14th, 1896, due in 1901? A.—\$1,800.

Q.—\$2,400? A.—That is the value of the property.

Q.—The amount of the loan is \$1,800? A.—Yes.

Q.—In 1897 you have \$1,800. That is the amount still standing against that loan in 1897? A.—Yes.

Q.—And that continued down to the year 1900, some time in the year 1900, when it was paid off. It would be paid off in 1901. This would be the 31st December? A.—Yes.

Q.—Then, were there any other directors' transactions? A.—There is a transaction to Mr. Haslett in trust. This was some money handed to Mr. Haslett for the purpose of investment to some of his clients. He advised us that his clients were buying Westinghouse stock—

Q.—The amount of the loan is \$12,000. The interest is blank. Do you remember what the rate was? A.—The rate was 5 per cent.

Q.—Security 160 shares Canadian Westinghouse stock? I suppose that was stock? A.—Yes.

Q.—Was that an authorized stock? A.—No, I think not.

Q.—That loan was made on April 19th, 1905, and paid November 15th? A.—Yes.

Q.—Does that close it all up? A.—Yes. Part of it was repaid May 5th.

Q.—\$5,240 repaid May 5th, \$3,260 May 13th, and \$3,500 on November 15th, all in the year 1905? A.—Yes.

Q.—You can give whatever statement you have to make about that. A.—Mr. Haslett advised us that his clients were buying Westinghouse stock and had placed mortgages and other securities in his hands to be disposed of, proceeds to be applied for that purpose, and as he will require a few days to do so, he asks us to make an advance of \$12,000, and he would hold the Westinghouse securities and all the securities in trust for us. It was not to take more

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than a week or ten days to do it. Afterwards he reported that owing to the unexpected departure of one of the parties for England there was some slight delay in closing the transaction, but if we wanted the money we could have it at any time. We did not think it advisable under the circumstances to ask for it.

Q.—Was that arrangement made with you? A.—Yes.

Q.—And you, of course, were satisfied to make it? A.—Satisfied that the security was ample.

Q.—I suppose that that would be so, but did you raise any question about the Act being infringed? A.—No, I do not think so.

Q.—You certainly did not as to his being a director, because that was not present to your mind in these transactions? A.—I do not think I raised any objection as to the Act being infringed.

Q.—That was not a loan to Mr. Haslett in person? A.—No.

Q.—It was not a personal transaction of his? A.—It was in trust.

Q.—And would the securities stand in his name in trust? A.—The securities, not only the Westinghouse, but other securities which he held. We simply entered the Westinghouse as a security on which the loan was made.

Q.—Was there any other transaction with a shareholder? A.—Not that I am aware of. I do not remember any.

Q.—Are you covering both shareholders and directors? A.—I am not aware of any shareholders.

Q.—You think they were all directors? A.—I think those were the only cases.

Q.—Are all those persons parties to this agreement or only some of them? A.—No, not all of them. Oh, I wish to correct that statement. There is a case of a loan to Mr. Kearns. Mortgage loan some years ago.

MR. HASLETT: I think you mentioned that.

WITNESS: No, I did not give the particulars. Loan of \$2,000, May, 1904, 6 per cent.

MR. TILLEY: On land where? A.—On land in Burlington.

Q.—Do you know what the value of the land was? A.—The value of the land was \$3,000. \$1,000 of the loan was repaid in December, 1901, and the balance on the 10th of this month.

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Q.—That was getting a little nearer, but I suppose that was paid off in the ordinary course of business? A.—Yes.

Q.—Being a loan on real estate? A.—Yes.

Q.—Has there been any loss to the company in respect of any of these transactions? A.—None whatever.

Q.—Did the company get as good a return in the way of interest on all these transactions as it would from a stranger? A.—Quite as good.

Q.—You are positive about that? A.—Positive about that.

Q.—What transactions have you had by way of loan or purchase of securities not authorized by the Act? A.—We have had no loans that I know of on any security not authorized by the Act. There was purchases of course of the Hudson Bay shares and Sao Paulo bonds, which, according to the decision of the Department—

Q.—Any others? A.—No others.

Q.—Let me have before coming to that, so as to exhaust the Federal Life part of it first, transactions where you have loaned on Federal Life stock? A.—There is only one that I remember of.

Q.—What one was that? A.—That was Mr. W. H. Ray of Winnipeg.

Q.—A loan of \$200? A.—Yes.

Q.—On 50 shares? A.—Yes.

Q.—Was he in any way connected with the company? A.—He was an agent of the company, and these shares were taken as security for an advance to him.

Q.—After the advance had been made? A.—Yes.

Q.—That is to say he fell into your debt by reason of advances? A.—Yes.

Q.—He owned these shares irrespective of this transaction? A.—Yes.

Q.—And then in order to secure the company against a loss in respect of that item, you took this security? A.—Yes.

Q.—Have you ever loaned on any other shares of the Federal Life? A.—I think not. I have no recollection of it.

Q.—What do you say about the other shares you bought? A.—The Hudson Bay shares?

Q.—When did you buy them? A.—200 shares purchased 19th February, 1903.

Q.—And you paid for those shares \$12,649? A.—Yes.—No, we paid \$40,000.

Q.—The par value was \$12,649 A.—Yes.

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Q.—You bought them through Osler and Hammond in Toronto A.—Yes.

Q.—You received some interest and some payment in reduction of principal A.—Yes.

Q.—\$1,942.42 payment on principal and \$971.11 in 1905? A.—Yes.

Q.—And the shares were sold on the 4th April of that year for \$73,000? A.—Yes.

Q.—In the London market? A.—Yes.

Q.—Then there was a commission paid on the sale, and your company realized on the whole transaction a large profit? A.—Yes, something near \$35,000.

Q.—Which does not, I suppose, justify the transaction? A.—We were satisfied with the security, satisfied that it was good, and we believed, because all the lands of the company were in this country, and such a large quantity of them—

Q.—You appreciate the point that I make that it is not authorized under the Act? A.—Yes.

Q.—And no matter what the profit was, it does not make it a legitimate transaction? A.—I believe we were under the impression it was an investment of the company coming under the Act at the time, but we were advised that it was not.

Q.—Then with regard to the Sao Paulo bonds what transaction had you there, \$25,000 of the Sao Paulo bonds in 1900? A.—Yes.

Q.—And \$25,000 of another issue and \$25,000 of a subsequent issue. That is to say you had \$75,000? A.—\$75,000.

Q.—All bearing 5 per cent.? A.—Yes.

Q.—They were purchased in 1903? A.—Yes.

Q.—That is the year of the purchase of the Sao Paulo bonds? A.—Yes.

Q.—And others in 1904? A.—Yes.

Q.—And bought through the Dominion Securities Company, sold in 1905, sold to Wood Gundy & Co.? A.—Yes.

Q.—What was your result with regard to these bonds? A.—We made a small profit of about \$3,000 besides the interest while we carried them.

Q.—I suppose you say that is unauthorized because that is the view that has been held by the Department? A.—Yes, we sold them immediately after receiving from the Department a copy of of the letter written by the Deputy Minister of Justice.



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Q.—Does that ruling carry your judgment, or have you considered the Act? A.—I have never thought the ruling was correct.

Q.—But your modesty prevents your answering that it was not correct?

A.—However, we were anxious to do what the Department thought right.

Q.—And at that time, I suppose, you were in a position to sell them at a profit that you were glad to take, probably? A.—We preferred holding them.

Q.—But you were coming out of the transaction in a way that did not make you feel very badly about disposing of them? A.—Yes.

Q.—You had some other rather large loans for call loans, had you not? A.—We have had, yes, latterly.

Q.—To private individuals or to brokers? A.—Not to brokers, large loans.

Q.—Are these loans still current? A.—Some of them are.

Q.—Would you just refer to what loans you mean there? A.—There are a few loans on one class of security.

Q.—On what class is that? A.—The security of the Cataract Company's preferred and Common stocks.

Q.—How many loans were made on that stock? A.—Four, I think—no, five. I think there were five.

Q.—Were they all made about the same time? A.—Oh, some months separated them, I believe, in some cases.

Q.—Was it different parts of one transaction, one arrangement, or are these transactions all clear and distinct, one from the other? A.—They are all distinct.

Q.—It is not part of some plan that is being carried through in any way with respect to the— A.—Not at all; they are all distinct loans, separate loans. Some of the parties may have been on similar bonds, but they were distinct loans.

Q.—And so far as your knowledge goes, no connection between them in any way? A.—There was no connection between the loans so far as I know.

Q.—And does any transaction with respect to these loans, call loans or otherwise, in any way touch upon any personal transaction of your own? A.—Not at all.

Q.—Or any of your directors? A.—No.

Q.—Or any of your shareholders? A.—No personal transaction; no.

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Q.—None of these large transactions you have referred to, or any of the other transactions in any way affect you as the transaction we considered this morning, where you transferred the Bank of Hamilton stock to your son-in-law? A.—No, I have no interest or connection with them.

Q.—Either disclosed or undisclosed? A.—No.

Q.—Nor any of your directors? A.—Nor any of my directors.

Q.—Tell me the total amount you had loaned on the Hamilton Cataract Power bonds and stocks at any one time, the largest amount. A.—\$120,000 to \$125,000. I think it runs nearer \$150,000.

Q.—About \$150,000? A.—Yes.

Q.—All these loans approved by the Executive Committee in the regular way? A.—Yes.

Q.—Did you ever consider whether you were getting too large an amount loaned on one security? A.—Well, we never thought there was any risk in connection with it.

Q.—I suppose whenever you come to a transaction where a company enters into it, you would expect the manager or someone responsible to say he did not believe there was a risk? A.—Oh, no.

Q.—And because it comes out all right, of course it seems probably unreasonable to say there might be a risk? A.—The security is ample. There is no question about that. We secured ourselves.

Q.—What rates do these loans bear? A.—Six per cent.

Q.—I notice one at 5. A.—Yes, it is a small loan, \$13,000.

Q.—About \$19,000? A.—Yes.

Q.—And the largest loan is about \$85,000, is it? A.—Yes.

Q.—That is the largest single loan, and that bears 6 per cent.? A.—Yes.

Q.—How much have you now loaned on that stock? A.—The amount remains about the same.

Q.—That is since these loans have been put through, which was about a year or a year and a half ago, on an average, the loans have remained with you? A.—Yes, we have been adding to them. They were not put through a year and a half ago.

Q.—I say a year to a year and a half ago. It was not all at one time? A.—No.

Q.—Have you any other loans now on unauthorized securities? A.—Not that I am aware of.

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Q.—I mean other than what you have told me about in the history of your investments? A.—Not that I am aware of.

Q.—What about Sun Life Assurance Company shares? A.—We did not make a loan on the Sun Life shares.

Q.—Beg pardon? A.—We made a loan on the Brantford Electric Light and Power Company's stock.

Q.—Mr. Haslett says the total amount outstanding on the security of the Hamilton Cataract Power Company is \$131,900? A.—Better make sure of that.

Q.—How do you explain that transaction? A.—The loan was made on the security of the Brantford Electric Power Company.

Q.—Which is an authorized investment? A.—An authorized investment.

Q.—You have entered these stocks at par, the Brantford Electric? A.—Yes.

Q.—By independent enquiry you have been advised that this was a fair value? A.—Yes.

Q.—And that these particular shares, it is alleged, were sold for that? A.—Sold for that and the profit on them since I believe.

Q.—The certificate shows they were sold for that merely; that would make the value of those shares \$36,000, and your loan was \$38,000? A.—Yes.

Q.—So that the loan could not have been on that security? A.—There is the London and Canadian Loan & Agency Company's stock in addition to that, which is also a valid security.

Q.—Under what process of reasoning are you now taking out some of these securities and saying the loan was on these securities which are good, and then putting out the others and saying the loan was not on those, but those were simply collateral? A.—The margin was sufficient for a loan on the stocks that were authorized.

Q.—I did not appreciate probably the point you were making. What you intend to say is you had sufficient margin in authorized securities without having to rely on the unauthorized? A.—That puts it better than I did.

Q.—But the loan was on all? A.—We held the other as collateral security; it was offered to us as additional security.

Q.—All hypothecated under the one document? A.—Yes.

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Q.—No distinction in the way you treated one of the securities and the other? A.—Not so far as an agreement.

Q.—Nor in the method of book-keeping; any difference would be a purely mental one? A.—I presume that is correct.

Q.—You regarded the unauthorized securities when making the advance just the same as authorized ones? A.—We regarded them as supplemental to the other.

Q.—You regarded them as being so much security to you? A.—So much additional security.

Q.—On which you made the loan? A.—Yes.

Q.—In addition to the Sun Life Assurance Company's stock you had Dominion Iron & Steel stock? A.—Yes.

Q.—That is unauthorized? A.—Yes.

Q.—100 shares of it? A.—Yes.

Q.—And some policies in two different life insurance companies? A.—That would also be authorized.

Q.—Yes, that would also be authorized; but I was giving the list of the securities, the nature of them; that loan was paid off? A.—Yes, that loan was paid off in January last I think, was it not?

Q.—January of this year, because it was out-standing at the end of last year? A.—Yes, it was paid off early this year.

Q.—And no loss on the investment? A.—No.

Q.—Interest 6 per cent.? A.—Yes.

Q.—Have you had any other securities included in that way with authorized securities? A.—I think not, I do not know of any.

Q.—You know of no security that has come into your hands by way of additional security or collateral security or in any other way that is unauthorized under the Act? A.—No.

Q.—You have told of all your transactions of that nature? A.—We have disclosed everything we know of.

Q.—Has the Federal Life ever invested in any securities leaving them in a broker's office? A.—No.

Q.—Never had a little margin account running? A.—Never dealt in margin account at all. Anything we have purchased we have purchased outright.

Q.—And the returns you have sent in to the Commission show every transaction in which you have received

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ed securities in any shape or form?  
A.—Yes, every transaction.

Q.—Has there ever been any account carried in your name, or the name of any other person on behalf of the company? A.—No.

Q.—The Bank of Hamilton stock that was in your name in trust was not intended for the company? A.—No, it was intended for myself.

Q.—Do you still hold it? A.—No.

Q.—Have you sold many of the stocks or bonds that you have purchased from time to time? A.—Not many, very few of them; we have purchased to retain them as a rule.

Q.—And you generally carry them till they mature, do you? A.—Yes.

Q.—Have you the list there of the bonds sold? A.—Yes, it is correct.

Q.—That covers the Hudon Bay stocks you told us about? A.—Yes.

Q.—And Salt Fleet debentures? A.—Yes, and Sao Paulo Tramway.

Q.—Are those all the debenture bonds or stocks you have sold? A.—Yes.

Q.—Why did you sell the debentures that you mentioned there? A.—I think about the time we purchased the debentures an agent of Gay & Company of Montreal offered an advance on the price of them and we made a profit on those.

Q.—You made a profit on each of those investments you sold? A.—Yes.

Q.—Did you prepare the statement as to how long the capital was impaired and to what extent it was impaired? A.—We have a statement of the number of years; (from 1891 to 1894) \$20,629.05 impaired in 1891. 1892, \$9,787.12; 1893 there was a small surplus; in 1894 the capital was again impaired, \$1,550.36; afterwards a surplus.

Q.—In what year was it that money was contributed? A.—In 1890.

Q.—So that there was still an impairment? A.—Yes.

Q.—I intended to ask you whether in the case of the large loans that you have spoken of, take the largest one amounting to about \$85,000 that you spoke of, did you take any other security? A.—We have a bond or covenant from several gentlemen who are very strong financially.

Q.—Have you the bond here? A.—No.

Q.—Do you remember the names of the parties to the bond? A.—Yes.

Q.—Were any of them directors of the Federal Life? A.—Yes, one is

a director but not an active director, he is not a member of the Executive Committee.

Q.—Was there only one? A.—Only one.

Q.—Only one that was a shareholder? A.—Only one that was a shareholder.

Q.—Or in any way connected with your company? A.—Or in any way connected.

Q.—Was that person interested in the transaction? A.—I think not, so far as I know he was not interested.

Q.—What was his name? A.—Mr. Gibson.

Q.—Why do you say he was not interested? A.—I think he was not interested in the loan, he became a party to the bond to satisfy us.

Q.—To satisfy you as to the security? A.—Yes.

Q.—Did you regard the security as possibly rather low for such a large loan? A.—No, we did not at that time.

Q.—What was the value of it then? A.—About par at that time.

Q.—That would be—? A.—\$119,000.

Q.—Did you insist on a collateral bond? A.—Yes, we wanted a collateral bond.

Q.—Was the loan offered to you without the bond at first? A.—Yes.

Q.—And on objection by you the bond was given? A.—There was no objection particularly, only that we felt the loan was a large one, \$85,000, and we preferred to have a bond; we believed the security was good without it.

Q.—You would not have made the loan on the security without the bond? A.—That is hard to say, I think we would have made it.

Q.—Why did you insist on it? A.—Because we wanted as much security as we could get to make ourselves perfectly safe.

Q.—Would you think it proper to lend on a security you would not otherwise lend on by getting a personal bond? A.—We endeavor to get as large a security as we can in every instance.

Q.—So far as you know the persons in that connection were not bound together by a community of interests? A.—I don't know that they were: I presume they are in some respects in connection with the company, they are all shareholders in the Cataract Power Company.

Q.—And was it because you were aware of that that you thought the



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loan should be secured by bond? A.—I think perhaps I had better correct that statement I made before, because on objection to the large amount of loan asked for we were offered the bonds; I think that was it when I remember correctly.

Q.—You think the suggestion came from the borrower? A.—Yes, I think so.

Q.—Did you get a similar bond in the case of the other loan on the same stock for about the same amount? A.—No; not the same amount of loan, you mean the same proportion of stock?

Q.—You had about the same amount of loan? A.—No, except that \$85,000, the only large one—

Q.—You say in connection with the loan of \$85,000 on \$143,900 of Hamilton Cataract stock that you got the bonds? A.—Yes.

Q.—That was in 1905? A.—Yes.

Q.—I suppose the security was steadily advancing in value? A.—Yes.

Q.—And had been? A.—It has been more since that time. I suppose it had been advancing then, too.

Q.—And I suppose you would want a little better margin in the case of a stock that had been advancing fairly rapidly than you would in the case of a stock that was remaining fairly steady? A.—No, certainly not.

Q.—Then you had another loan of \$85,600 on the stocks of the same company, and the value of those stocks was \$135,400; and that transaction was in 1904, about a year, before? A.—Yes.

Q.—Then did you have a bond with that? A.—No, it was a larger amount of security in that case.

Q.—The value is not so much; the value in one case was \$143,900, and the value in the other \$135,400? A.—I think the bond of \$25,000 is added there in the value in the one case.

Q.—I think not? A.—I estimated the figures at \$119,000.

Q.—That is that \$143,000 includes the \$25,000? A.—Yes.

Q.—You had no bond in the transaction of 1904? A.—I think not.

MR. LANGMUIR: Q.—The same parties, this other transaction you speak of? A.—One of them is the same.

Q.—The hypothecation bond undertaking did not give you a lien upon what you had before? A.—No, it was

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a separate loan; the other was repaid.

Q.—Have you ever got any commissions on loans made by the company? A.—No.

Q.—Valuation fees? A.—No.

Q.—Allowances to cover your expenses in examining into properties and so on? A.—No, nothing but the actual expenses.

Q.—There has been no commission to any member of the Board in respect of any services rendered by them for the company? A.—No.

Q.—Nothing more than their regular directors' fees? A.—Nothing but what is shown in the regular directors' fees.

Q.—Can you give me a list of your directors? A.—No.

Q.—Can you give the names of them from memory? A.—Yes, I think so, M. H. Aikens, Hon. J. M. Gibson, Hon. George E. Foster, William Kearns, Hugh Murray, A. E. Wolverton, Rev. Dr. Wakefield, Rev. Dr. Potts, A. E. Russ, J. G. Scott, T. C. Hazlitt and myself.

Q.—Your remuneration commenced with \$3,000 in 1891? A.—Yes.

Q.—And it continued at \$3,000 to the end of 1896? A.—Yes.

Q.—And then \$4,000 to the end of 1898? A.—Yes.

Q.—\$5,000 to the end of 1901? A.—Yes, \$6,000 for 1902.

Q.—\$7,000 for 1903; \$8,000 for 1904; \$9,000 for 1905, and it is on here to \$10,000 in 1906? A.—Yes.

Q.—And any promises of more next year? A.—No.

Q.—Is that under a contract? A.—Not under contract, by a resolution of the Board.

Q.—The resolution covered how many years, each year by itself? A.—From the \$5,000 to the six, seven and eight thousand a resolution covered the three years.

Q.—It covered three years each time? A.—Yes, from \$5,000 to \$6,000, \$7,000 and \$8,000 an increase of \$1,000 a year for three years. After that another resolution covered to \$9,000 and \$10,000.

Q.—That seems to be running up rather rapidly in the last few years compared with the earlier years? A.—

True, but for many years my salary was very low, several years \$2,000 several years succeeding \$3,000, with the understanding that when the company was able to pay the directors would make it more remunerative.

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Q.—Is there any connection between the increase along about 1901 and 1902 and when it commenced to run up, and the issue of the stock, and the more perfect control under the documents that the directors and you entered into? A.—There was no understanding whatever. I don't think there was any connection in any way.

Q.—You think the increase would have been given just the same? A.—I think so.

Q.—What is the occasion of the salary progressing in that way at the rate of \$1,000 a year, is there any understanding that that is to continue for some length of time? A.—No, no understanding whatever; the understanding was it was to continue till it reached \$10,000.

Q.—And when was that understanding made, back in 1901? A.—Then it was till it reached eight, and after it reached eight there was a renewed understanding.

Q.—There was no understanding outside the minutes at all, outside of just what the resolution shows? A.—None whatever.

Q.—On what basis do you remunerate your directors? A.—Our directors for several years received nothing but expenses in attending meetings, subsequently they received \$5 per meeting and expenses, and latterly \$10 and their expenses for attending the meetings.

Q.—Mr. Beatty is the President? A.—He was the President.

Q.—Before you? A.—Yes.

Q.—What remuneration did he receive as President? A.—Nothing as President excepting what the Board voted him from year to year in the way of bonuses.

Q.—Then there is quite an irregularity in the amounts paid to him, is that due by the difference in payments made under this arrangement whereby he was to be recompensed for the money paid in? A.—That was entirely due to that, he received nothing outside of that.

Q.—What do you mean that all these payments— A.—Excepting the Board fees—

Q.—Except the usual Board fees, there is no allowance to him as President? A.—No allowance to him as President whatever.

Q.—It is better now? A.—Dual position now.

Q.—I notice that you have a rather large shareholders' vote at each meeting? A.—Yes.

Q.—In 1891 your shareholders' vote was 5,855, and that continued at exactly that amount until the end of 1895? A.—You mean the total shareholders' vote at the meeting?

Q.—Yes? A.—Yes, the directors themselves held in the neighborhood of, even in 1891, 4,000 shares, and the proxies in addition thereto.

Q.—So that it shows there was no floating element in the annual meeting? A.—No.

Q.—Then it was 6,090 in 1896, and in 1897, 1898 and 1899 it was exactly 7,000, was it not? A.—That is the total shareholders' vote.

Q.—Do you mean that that is the total vote that could be polled? A.—Yes.

Q.—I understood that to be the vote that was represented at the meeting? A.—No, that is the total vote.

Q.—I am entirely wrong about that then; but the fact is that besides the stock that you and all the directors hold you hold about 1,000 votes on proxies besides? A.—Yes.

Q.—You have substantial loans on policies, have you not? A.—Yes, we have a considerable amount loaned on policies.

Q.—Is that on account partly of the liens you put on policies at one time? A.—Partly on that account, that increased the loans for a considerable time.

Q.—What was the nature of that policy? A.—That we placed a lien on?

Q.—Yes? A.—It is the ordinary policy, what you have reference to, changes from a renewable term or low premium plan to a higher premium plan, the difference in premiums dating back, being taken as a lien or loan against the policy.

Q.—That is the policy I mean, it is what you call term insurance? A.—It was term insurance.

Q.—And if you have term insurance of necessity the premium advances each year? A.—Quite so.

Q.—Because the risk— A.—Increases with the man's age.

Q.—With a renewable term policy of that nature the premiums a man has to pay if he lives long enough become very disappointing? A.—Burdenome in old age.

Q.—And I suppose it is fair to say that the policyholder does not always understand the arrangement when he enters into it? A.—I fear they do

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not, and I am sorry to say they do not.

Q.—That is just because they do not read their policies? A.—Yes.

Q.—The result of the dissatisfaction amongst the policyholders in that regard is that the company after a time has to try and evolve some scheme to get them off one plan of insurance and on another? A.—Yes, that is usually the case.

Q.—It forces itself upon the company by reason of the— A.—Of the dissatisfaction.

Q.—Whether it is a dissatisfaction that is justifiable or not is an entirely different matter? A.—Yes.

Q.—But that is the state the company gets into? A.—Yes, it becomes necessary for the company to offer substitutes.

Q. Is it right to say that a company such as yours would forfeit, a policy like the uniform term insurance in order to obviate the necessity of putting up high reserves? A.—I don't know that I understand you.

Q.—You would not have to put the reserves up in the case of that term insurance policy? A.—No, there is no reserve excepting the unearned portion of the year's premium.

Q.—That is a very small reserve? A.—Yes.

Q.—And there is a substantial advantage to a young company, or a company that is labouring under a threatened impairment of capital or an actual impairment of capital in not having to put up that reserve? A.—Yes.

Q.—Is that the reason why companies adopt that sort of policy? A.—I assume that is the case with most young companies.

Q.—Would that be right in the case of your company? A.—It was right, it was under the recommendation of Mr. Sheppard Homans, an eminent actuary.

Q.—Now they modify that term insurance, giving them some insurance— A.—Yes.

Q.—That is brought upon a young company although probably it realizes in time there will be dissatisfaction? A.—Yes.

Q.—I suppose you knew those policies would ultimately cause a certain amount of dissatisfaction from policyholders? A.—I did not suppose that it would cause as much dissatisfaction as it proved to.

Q.—You realized that was not a permanently satisfactory policy? A.

—Although I carried one myself, and still carry one.

Q.—But your answer would be yes to that question? A.—Yes.

Q.—Tell me what option you gave policyholders who had that sort of policy, and about the time you gave the option? A.—About the latter part of 1893 or 1894 we have been offering them any level premium form of policy which we issued, either taken at the current age or to date back to the issue of the original policy, and on payment of the difference in premiums, with interest on the difference.

Q.—That is the insured would have to go back and complete what he would have paid, and take the difference and compute interest, and then paying that sum to the company he would be put on the life plan? A.—Yes, he would be in the same position as he would have been if he had taken that in the beginning.

Q.—He could practically choose his own plan? A.—Yes, we would require only a small payment, and in some cases we got practically none on the back premiums.

Q.—Having decided on that policy the trouble was these policyholders would not be in a position, or would not desire to pay up this claim, in order to change the plan? A.—Very few of them did.

Q.—You would obviate that by lending in effect to the assured the amount of that increased payment? A.—Yes, or 90 per cent. of it.

Q.—I suppose you would lend them the whole thing in order to keep them on? A.—We would when we could not do better.

Q.—That would be a charge against the policy, and would be deducted when the policy became a claim? A.—Yes. Interest is supposed to have been paid half-yearly on that loan.

Q.—How was it worked out in that regard? A.—In most cases it was paid, in some cases it was not paid, and the interest allowed to accrue.

Q.—I suppose having evolved that plan of getting the policyholders in a new position still your troubles would not be over, there would always be some dissatisfaction from policyholders? A.—Yes, especially at maturity.

Q.—And I suppose it is fair to say you have had a good deal of complaining about that by persons not thoroughly understanding the nature of the transaction? A.—Yes, it is true.



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Q.—Besides having a yearly renewable term did you have a ten year renewable term? A.—Yes.

Q.—The difference being that instead of giving insurance for one year you would give insurance for ten years? A.—Yes.

Q.—And then for another period of ten years? A.—Yes, with a premium increasing after the first decade, and so on after the second and third, reduced possibly or probably by a small amount of profit.

Q.—You gave profits on these policies? A.—Yes.

Q.—Did you guarantee the profits? A.—No, our profits are not guaranteed in any case.

Q.—The intention would be to take the profits and apply them on the premium for the next ten years? A.—Yes, that is the contract in the policy.

Q.—And still the premiums would necessarily advance? A.—They must advance, yes.

Q.—And I suppose there again the policyholders some of them, would feel that instead of getting profits that they were paying something they never anticipated being called upon to pay? A.—I suppose that policyholders feel their premiums advance too fast when they do advance.

Q.—As a matter of fact the rates for the higher ages are usually omitted from the rate book? A.—I think they run up to 60 or 65.

Q.—And then stop? A.—Yes.

Q.—Do you have some policyholders that say, Now, I thought after I reached that age there would be no more advance on that, that that was the end of the advance? A.—I presume so, but I think the rate book or schedule —

Q.—Has a printed statement in it that says other years will be in a sort of proportion to the risk? A.—Yes, will be furnished on application.

Q.—That is in the book, but that is not read when they are looking at the schedule? A.—I am afraid they do not read enough.

Q.—I suppose you wish you had never had to issue those policies? A.—We have wished so.

Q.—Do you think that that plan resulted in any higher mortality? A.—It is my opinion that any low premium insurance will result in higher mortality than the higher premium insurance.

Q.—It is a sort of insurance that would have a very low premium at the start? A.—Yes.

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Q.—Because instead of having the premium levelled through life he pays for the risk carried by the company in the first year and so on? A.—Yes; our experience proves that the low premium insurance induces greater mortality; we received risks that we would not have otherwise received on probably higher premiums.

Q.—There was an adverse selection? A.—Yes.

Q.—By reason of the price at which they could get in, and probably persons entering into that kind of contract would be persons who would not be expecting to pay till they were 70 years old? A.—Quite true, there is no doubt there is an adverse selection against any low premium insurance.

Q.—And you reap the result of that in your company by a high death rate? A.—Yes.

MR. KENT: Who fixed the present premium rates for your company? A.—The present premium were fixed by Mr. Brough here following the uniform rates used by the greater number of our Canadian companies now.

Q.—Do you know who fixed the rates that you are following? A.—Outside of our own company?

Q.—Yes? A.—Well, there was a conference of the officers of some of the companies in the Association, who fixed the uniform rate following the P.M. mortality tables  $3\frac{1}{2}$  per cent.; they fixed the uniform loading, not the rates.

Q.—That is what I have been trying to get at all through the enquiry, to see whether any one company is responsible for the loadings that had been established? A.—No, it was on consultation and advice of the best actuaries that we had.

MR. TILLEY: Q.—Agreed on as the best thing to do? A.—Yes. I want to add to what I said last, that we have a comparatively small amount of those low premium policies on our books at the present time, and I think our premiums will average as high as those of any other company, that is the plans.

Q.—You had a guarantee fund scheme too, hadn't you, in connection with policies? A.—Yes.

Q.—Whereby 25 per cent. of each premium had to be put into a guarantee fund? A.—Yes.

Q.—And used if necessary in the payment of death losses? A.—Yes.

Q.—And that amount then would be used in the case of the ten year policies to reduce future premiums?

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A.—Not the ten year renewable policies, that is the yearly renewable policy, the first distribution of its fund was at the end of the first ten years of the policy, on the ordinary yearly renewal policy.

Q.—You have explained those in your returns? A.—Yes.

Q.—I will put in the statement you have given showing the percentages of the contribution to the guarantee fund returned, first, from 1894 to 1899, and then 1899 to 1902, and then to 1904 and so on? A.—Yes.

—Statement showing percentages of contribution to the guarantee fund marked as Exhibit 374.

Q.—That feature again has brought complaints I suppose as to the amount? A.—Yes, I suppose it was thought sometimes there was not sufficient return.

Q.—We have had correspondence with some persons regarding that, but I don't know that it is necessary to go into this because the reason why they complain seems to be apparent on the face of the policy, in the method in which the thing was carried through? A.—Yes.

That exhibit 374 shows your method of quinquennial distribution and deferred dividend policies as well? A.—Yes.

Q.—Do you still write those policies? Those yearly renewable term policies? A.—No, we have not written them for the past ten years.

Q.—You have given a schedule which indicates the premiums, including first year and renewal, you did not keep them separate I see to the end of 1895? A.—No.

Q.—From 1896 you have carried them separately? A.—Yes.

Q.—In the year 1899 the first year commission amounted to about 62 per cent. of the first year's premiums, then it rose to 72, and in 1895 it got up to 75 per cent.? A.—I think that can be accounted for from the fact that a great many of those first year premiums were obtained by exchange, changing from the renewable term at a smaller cost than in getting business direct.

Q.—I suppose with the term insurance there would be a great deal of what you may describe as lapsing in the first year? A.—Yes.

Q.—There would be no surrender value and no gain to either you or the insured because the contract came to an end? A.—No, sir

Q.—In your allowance of surrender values you have not allowed the same upon quinquennial distribution and non-participating policies and the— A.—And the deferred dividend.

Q.—The accumulation policies? A.—No.

Q.—Why not, because of the larger accumulation to the credit of the policy, or the natural accumulation to the credit of the policy, higher premium paid. Of course the non-profit policy pays the lower premium, has a smaller loading, consequently can only afford a smaller surrender value; the larger premium policy—

Q.—You make a difference of ten per cent? A.—Yes, and in the accumulation policy where the term is twenty years the surrender value becomes the full reserve between the 14th and 15th year.

Q.—You did not allow any surrender values until the expiration of five years at first? A.—No.

Q.—And then you changed to three years? A.—Yes.

Q.—Did you extend it to the older policies then or did you treat them the same as previously? A.—We would extend it to the old policies where there was a sufficient amount of reserve to warrant it; some of the older policies would have too small—

Q.—You have furnished a statement to-day showing the amount of insurance written in 1904; that was \$3,010,499.50? A.—Yes.

Q.—The amount that was not taken in 1904 was \$135,934, and the amount that lapsed of that same insurance in 1905 was \$588,346.50? A.—Yes.

Q.—That is at the end of the following year there was \$700,000 out of the three million dollars dropped? A.—Yes.

Q.—How do you account for that large amount of insurance that is either not taken or lapsed in the first year? A.—It is largely through pressure in getting business.

Q.—The not taken business of course is that that has not been properly secured by the agent in the first place, although the application was accepted and the policy issued the agent is unable to place it. He is unable to get the policy taken and paid for? A.—Yes, and the subsequent lapses are partly due to people taking on more insurance than they are able to carry, or taking on insurance when they are not able to carry it.

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Q.—And getting such a large rebate? A.—Sometimes that accounts for it.

Q.—They can take out new insurance every year paying one premium and getting it much cheaper than term insurance? A.—That accounts for it in some cases.

Q.—And I suppose your company has to do the same as other companies in that regard? A.—Yes, we have had some of the same experience the others have had.

Q.—When you were commencing you say you were looking for this term business rather than the other plan? A.—Not immediately at commencement, a year or two after our commencement we found the other business coming rather slowly.

Q.—You did not use as low rates for the ordinary plans as some other companies? A.—Not in some cases, no; we are not using as low rates as some of them.

Q.—And you made no change in your rates until 1900? A.—No, practically no change till 1900.

Q.—And then the 3½ per cent. reserve came into force and you made the change? A.—Yes.

Q.—But when you made them you made them pretty effectually? A.—Increased the rates somewhat.

Q.—A rather substantial increase? A.—Yes.

Q.—A good deal more than was necessary to take care of adjusting the increased reserve? A.—It is not very much addition to the loading outside of the increased reserve, it is very little difference.

Q.—We have prepared a statement showing these premiums and showing the book used, and your actuary can look at it. It shows the life plan, the twenty payment plan and the twenty-year endowment plan, and the age 25, and here is the book used: so that it runs uniformly until 1906 in that case, and then it changes from \$18.40 for life to \$21.30; \$25.35 to \$30 on twenty payment life, and \$30 and twenty-year endowment \$45.85 to \$48.50? A.—Yes.

Q.—Age 35, age 45 it runs about the same, for the first three years there is no change, and then a substantial change taking the age 45, life plan \$36.10 to \$38.35, \$41.75 to \$46.95? A.—Yes.

Q.—Twenty year endowment \$52.55 to \$55.05? A.—The greatest change was in the 20 payment life.

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Q.—In the same way the ten year period, that shows the rates; if I just mention it will be sufficient, at age 35 the change at the year 1900 was from \$24.85 to \$27.95 on the life plan; \$31.60 to \$36.95 on the twenty payment plan; \$47.85 to \$50.55 cents on the 20 year endowment? A.—Yes.

Q.—These rates were originally well up for the plans of insurance; there were lower rates than those in use by other companies previous to 1900? A.—Not many, I think, they were rather below the others, especially the American companies.

Q.—From time to time you have had to change your estimates have you not? A.—Yes.

Q.—And you made many changes in the ten payment results; for instance at age 25 the book used, you went from \$122.02 down to \$80.02 in 1892; then down to \$44.42 in 1897; and then down to \$44 in 1900; that is to say you estimated in 1892 that your profits would be \$122, and they came down in 1900 to \$44 of an estimate? A.—Yes.

Q.—Those original estimates must have been very high? A.—I think they were high; experience proved that they were too high.

Q.—Take the age 35; in 1892 your estimate was \$149.96; in 1900 your estimate was \$59. At age 45 your estimate was \$198.32 in 1892, and you came down to \$93 of an estimate in the year 1900. How did you arrive at these estimates? A.—Those estimates were arrived at on the basis of a better interest earning power than we have been able to have during the last ten years; and also expenses, better interest earning and less taxation than we have had to bear; and we find that the expense of getting business also is increasing.

Q.—Were these mathematically calculated? A.—They were calculated on a mathematical basis by an actuary probably with an eye to coming somewhere near what others were estimating.

Q.—Because it would look as though you were taking just a certain number of dollars off and not making any actuarial calculation off? A.—That may have been on the reduction.

Q.—I notice in this case there is one cent taken off in 1892; then 15 year period and the 20 year period you had to change in the same way? A.—Yes, they were all changed in the same way.

Q.—For instance in the 20 year period on the 20 year endowment



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your 1902 estimate of surplus was \$953, and in 1905 you brought it down to \$397. In 1892 your estimate was \$1,080, at age 35, (the previous estimate being at age 25) and on the 35 age you brought the estimate down to \$419.

Q.—In 1892 for age 45, estimate \$1,335, and now you have it down to \$480? A.—Yes.

Q.—That is one-third of the amount? A.—Yes.

Q.—There could be no possible justification for these estimates? A.—I think the estimates were too high in the first place.

Q.—I fancy probably that would be right; then you have had estimated surpluses and been able to compare them with your actual results? A.—Yes.

Q.—And do you find that your results do not come up to the standard? A.—They did not come up, that was one reason of changing.

Q.—In the year 1900 the actual result 10 year endowment at age 31 was \$159.04? A.—Yes.

Q.—Your estimate before 1892 was \$220, and estimate in 1900 was \$180. In 1902 your actual result at age 31 on a 20 year endowment was \$214.58; your estimate before 1892 was \$1,022, and your estimate in 1900 is still \$511; you estimated the policyholder would get in profits before 1892 five times as much as he got? A.—It does seem a remarkable estimate.

Q.—That is you realized one-fifth of what you estimated; then you have only got the estimate down yet to \$511, although you were then realizing only \$214; that is to say about 50 per cent. of your estimate was being realized. The same way at age 30, 20 year endowment, result \$208.41; before 1892 \$1,010.

Q.—Your estimate now is \$507?

MR. BROUGH: With an increased premium in the case of the latter.

Q.—Was there before 1892?

MR. BROUGH: No.

Q.—I suppose you have got to keep the estimates up if you want to get business? A.—In competition it would be difficult to get business, unless your estimates were about the others.

Q.—Five times the actual result seems to be a pretty high estimate? A.—Yes.

MR. LANGMUIR: That is the highest we have had yet, is it not? A.—I think the results are very fair; the estimates were out of proportion.

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MR. TILLEY: The actual results of 20 payments, age 43, \$226.03; estimate before 1892 \$1,011.63; and the estimate now \$514. Should not these be down a great deal yet? A.—They might be reduced still further, although the premium has a little heavier loading, a little larger premium.

Q.—That is the present premium since 1900 has a greater allowance from which profits may be expected to accrue? A.—Yes.

Q.—Then you have submitted a profit and loss statement for the year 1905 as requested by the commission? A.—Yes.

Profit and loss statement filed as exhibit 375.

Q.—Your loading on the 1st year premium was \$17,056.03; your net expected death loss \$13,021.72, and you had no actual death losses in your business of 1905? A.—No.

Q.—Your total expenses were \$136,049.88, leaving \$105,972.13, paid out in expenses in the year 1905 over and above the margin allowed on the first year premiums? A.—That represents only the actual cash premiums received on the first year's business, not those that were paid for by note, not the amount of business paid for by note.

Q.—Have you taken any cash received on notes in the previous first year—the actuary could tell us that—you say the notes for first year business are not included in that?

MR. BROUGH: No.

—Mr. Brough answers the questions till a change is indicated.

Q.—Did you take into account the cash you received on notes that had been issued for the previous first year's business? A.—Yes, we took in the first year premiums paid.

Q.—So that what you lost by throwing the first year notes into 1906 you made up by bringing the 1904 notes in? A.—To a certain extent.

Q.—Taking each calendar year it would make it about right after all, would it? A.—Somewhat the same.

Q.—There seems to be no death loss in the year 1905 with respect to 1905 business? A.—None whatever.

Q.—I suppose that that is just an exceptional case the same as we have found it in another company where they have a greater death loss than they expected? A.—That is the general custom.

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Q.—Not to have any death loss?  
A.—Not the first year; occasionally we do.

Q.—Not death loss at all? A.—In the first year we occasionally do.

Q.—So that your margins are practically all profit for first year business? A.—Yes.

—Mr. Dexter answers the questions till a change is indicated.

MR. TILLEY: There is about 450 per cent. of cost on first year business as compared with the margins? A.—There is a considerable amount; I think Mr. Brough can explain it better than I can.

—Mr. Brough answers the questions till a change is indicated.

A.—We have prepared another statement giving the margins on the first year premiums, not in the year 1905 particularly.

Q.—That is you have given a statement in which you put it this way: Expense first year business, \$136,049.88; then you have loading on the first year \$23,565.57, that is not the same item you had? A.—No, that includes the loading on policies issued in 1905.

Q.—On policies issued in 1905, instead of what? A.—Taking the policy year rather than the calendar year.

Q.—Taking all the first year premiums in respect of policies issued in that year? A.—Yes.

Q.—Your death losses, expected \$26,043.44, all gain? A.—Yes.

Q.—And reserves released by lapses first and second years \$53,618.61; that brings \$103,227.62—you are simply changing the form in which we get up the profit and loss statement? A.—I am making it apply to one full year and also adding lapses.

Q.—We give credit for the lapses further down to the extent to which you are entitled to credit; and I think we had better stick to the form we have; and this is the way we get comparison with the first year business of other companies; that is a high ratio is it not?

—Mr. Dexter answers questions till a change is indicated.

A.—It is rather high, higher than I would like to see it.

Q.—Do you press your agents to each one try and increase the amount he writes this year over the preceding year? A.—We do as a rule; I think that is customary.

Q.—And do you give them a bonus or a prize if they succeed? A.—We have in some years, not regularly.

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Q.—What sort of a prize do you give them? A.—Sometimes a small additional commission, I mean on the business written; in other cases perhaps \$1.00 per thousand insurance written during the last three months.

Q.—Why don't you give that bonus on the first three months of the year? A.—Because the first three months of the year, as a rule, are not so good for business as the last three months; money is more plentiful and people are more likely to enter into new engagements in the last few months of the year than in the early part of the year.

Q.—Along about Christmas? A.—Yes, previous to that.

Q.—That makes the race for business at that time rather strenuous? A.—Yes.

Q.—And then you have the lapsing and not taken policies afterwards flowing from that? A.—Partially due to that.

Q.—And high expense in getting business? A.—Yes.

Q.—And the Federal has to go in the race? A.—Competition is keen.

Q.—There would not be any serious objection to keeping your business about the same one year with another or even falling a little below? A.—There is an objection to falling below.

Q.—Why? A.—For the appearance for one thing.

Q.—And anything else? A.—It discourages your agents, they are the two principal things.

Q.—The result to the policyholder is as good or if not better? A.—Probably it is as good unless the mortality would increase; that to a small extent would do no harm but to a considerable extent it would do harm.

Q.—That is, just sufficient to prevent this strain at the end of the year, would not it be a good thing for the Federal, to ease off? A.—For the Federal with the others.

Q.—For the Federal without the others? A.—I do not think so.

Q.—The cost of new business in 1905 amounted to about 60 per cent. of your entire earnings, I think; that is a high percentage, is it not? A.—The cost of new business?

Q.—Yes, that loss upon the new business; on the renewal loadings you were more successful, you kept your expenses within the margins for loading, did you not? A.—Yes.

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Q.—You did not use up all the renewal margins; renewal loadings; your actual death losses on business other than the first year business was about \$139,000 as compared with \$167,000 expected, a gain of about \$28,487? A.—Yes.

Q.—Is that a fair ratio? A.—I think so.

Q.—Or is that a little high? A.—Slightly higher than in some other years, a very fair ratio.

Q.—You have profits from sales or maturity \$22,515.49? A.—Yes.

Q.—Does that include this stock you told us about this morning? A.—Yes.

Q.—There is nothing undisclosed, nothing you have not told us about? A.—No.

Q.—Increase of market values \$27,499.27; what is that connected with? A.—It is connected with some of the bonds which have been increasing in value, bonds we have owned.

Q.—Did that increase all come in the year 1905? A.—Mostly in the year 1905.

Q.—With respect to what bonds or debentures was that? A.—I could not tell you without a list of them.

Q.—Can the actuary tell us in a general way; there must be some securities to account for that large writing up? A.—That is simply the writing up over and above the purchase value, the book value.

Q.—I would like to know whether that could all be taken in as a profit in one year; it seems a marvellous jump in one year? A.—I cannot tell you the exact bonds in which the increase was made, or whether it was wholly an increase in 1905 or partially in 1904.

Q.—Then comes the item that the actuary was mentioning, that is the gains from surrenders and lapses, the reserves released were \$101,384.59, and values allowed \$32,970.26, or a gain of \$68,414.33, a considerable portion of which would be fair to offset against the cost of the first year's business? A.—Yes.

Q.—I suppose that your company is a party to the rebating that is going on the same as all others? A.—We are not entirely free from it, although we have endeavored to discourage it.

Q.—Do you ever give rebates unless you are forced to? A.—No.

Q.—That is about as much as any company can say? A.—Yes.

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Q.—Do you give rebates if a man comes in and applies for insurance? A.—No.

Q.—You would not give a man a rebate who comes in to you and says "Here, I am going to take out \$5,000 insurance, and if you care to give me the usual agent's commission I will give you the policy; if you won't I will go elsewhere?" A.—We have not done it at the present time.

Q.—Probably the man never presented himself? A.—Not in that way probably.

Q.—It would be a very strong temptation, would it not? A.—It would be difficult to overcome, but still I don't think I would like to create a precedent of that kind.

Q.—Do you ever make an agent an allowance because he has given a rebate? A.—No.

Q.—Do you have agents on salary? A.—Yes.

Q.—Supposing an agent on salary writes a policy and gives a rebate does he give you a voucher showing the payment of the sub-agent's commission? A.—Yes, sub-agent's commission.

Q.—And I suppose that is the way the item is treated? A.—I think it is in many cases.

Q.—And I suppose the company must be aware that that is really a rebate given to the insured? A.—Is not positively aware, they may suspect it.

Q.—Strong grounds for suspicion? A.—Yes.

Q.—Can you say what you think an ordinary agent gives up by way of rebate on the average out of his commissions? A.—No, I have no idea.

Q.—I am told it would be fifty per cent or possibly even better? A.—I should think fifty per cent possibly in some cases; the agents differ in that respect.

Q.—I was taking the average? A.—I think that would be rather too much for an average.

Q.—Do you write both participating and non-participating business? A.—Yes.

Q.—Do you pay your agents differently on one class from the other? A.—Yes, we pay ten per cent. less on non-participating, that is the difference.

Q.—Do you keep your non-participating business separate in your books? A.—No, we have not done so.



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Q.—Can you tell whether it pays taken on its own merits? A.—We are only satisfied from the general results it does.

Q.—You do not charge up to its own death losses and so on? A.—No, we have not done so at the present time.

Q.—In view of the provision of the Act about profits in the participating class going to participating policyholders don't you think you should keep the accounts in the same way so that you have the line clearly drawn? A.—I think we shall do so, but up to the present time, the balance is so largely in favor of the shareholders that it has not been necessary to do it.

Q.—But the longer it is left off the greater the work in getting it established? A.—Yes.

Q.—Have you considered keeping individual accounts with each policy? A.—We keep an individual account on cards but not entering profits.

Q.—That is only a cash account? A.—That is the cash account.

Q.—Showing the premium charged and premium paid and so on, it does not show the amount you set aside for reserve on the policy and interest on the reserve and so on? A.—It does not carry it on, we have a separate reserve card.

Q.—I suppose there is a distinct advantage in doing that? A.—I am not competent to say that.

Q.—What would you think, Mr. Brough? Is there an advantage in keeping an account with a policyholder showing the exact state of his account with reference to reserve and other items, charging up reserve on the policy and so on, computing the interest on it, and being able to show at any time the present state of that policy, whether it is clear on your books or not? A.—Yes, I think it would be an advantage, I have not thought of it very much.

Q.—You have not thought of adopting it in your company? A.—Not very seriously.

Q.—Referring to this item you have in there as to profits on increased values you cannot give me any further light on that, that large item \$20,000 odd? A.—Not without the list, which we have not got here.

Q.—I wish you would make up a statement and send it to us? A.—Yes, we will send it to you.

Mr. Tilley files copy of policy loan agreement, which was marked as exhibit 376.

Q.—Do you under your policies pay a cash surrender value after a lapse, even though it is not demanded? A.—No, under our present policies there is automatic continuance of the insurance.

Q.—Whether he demands it or not? A.—Yes.

Q.—If he elects can he take the cash surrender value? A.—Yes.

Q.—But he does not forfeit everything by the lapse? A.—No, he forfeits nothing; the reserve is used up by continuing the insurance.

Q.—Is that a change in your policy forms? A.—That has been since 1900.

Q.—Before that I suppose he had to apply for it? A.—Yes.

—Mr. Tilley files copy of the proofs of loss, which was marked as Exhibit 377.

Q.—Do you know what company first employed a man to think of all these questions? A.—I really do not.

Q.—I suppose one company has just been following the forms? A.—We are revising our forms and making them very much shorter.

Q.—Is that a matter that is now in hand? A.—Yes, Mr. Hazlitt has it now in hand.

Q.—Would you send us a copy of your revised forms? A.—Yes.

Q.—There seems to be no use of a great many of these questions? A.—No, I think not.

MR. HAZLITT: After a certain time.

MR. TILLEY: Q.—In view of the provisions of policies to-day? A.—Non-forfeiting policies.

Q.—Some of your agents seem to receive a small commission and yet your expense on first business does not seem to warrant the assumption that you are paying less commissions than other companies? A.—I think our commissions average about the same as others in ratio.

Q.—Where you find a contract giving 40 per cent. commission, does that mean some sub-agent? A.—That is sub-agent only.

Q.—Then above him there will be? A.—A general agent.

Q.—Who will get a sufficient amount to bring it up to the usual commission? A.—Yes, the general agent will get 70, that is the forty will be deducted from it of course.

Q.—I suppose it is impossible to keep all your contracts on even terms

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without regard to commission? A.—We cannot do that very well.

Q.—Because it depends upon the agent and your ability to make a contract with him? A.—Yes, the qualifications of the man.

Q.—And your district agencies, what are usually called general agents? A.—Yes.

Q.—And the sub-agents are paid out of their commissions? A.—Yes.

Q.—What are local agents? A.—They are sub-agents.

MR. TILLEY: It is understood that this will close the examination of the company, but there may be further examination of Mr. Dexter if required by any of the parties.

MR. GEARY: I agree with what my learned friend says and will be able to ask any questions I desire at the time suggested by him if it is further proceeded with.

JUDGE MacTAVISH: This company as well as other companies must understand that their officers must be available at any time that the Commissioners may desire information from them.

We will adjourn now until Monday morning at half past ten in Toronto. I may also announce that on Tuesday, 24th July, we will sit in the City of Winnipeg for the purpose of enquiring into the affairs of the Great West Life Insurance Company, at 10 a.m.

The Commission adjourned at 4.55 p.m. Friday, July 13th, to the City Hall, Toronto, Monday, July 16th, 1906, at 10.30 a.m.

## FIFTY-SIXTH DAY.

### MORNING SESSION.

Toronto, Monday, 16th July, 1906.

MR. TILLEY: I had intended going on with Mr. Dexter this morning, to complete anything that it was desired to ask him, but Mr. Geary is not here yet, and if your Honours will approve I will let that stand and go on with the Commercial Travellers, meantime, taking up the Federal Life when Mr. Geary arrives. We can go into the Commercial Travellers at any future time and complete it.

JUDGE MacTAVISH: Yes.

### COMMERCIAL TRAVELLERS' MUTUAL BENEFIT ASSOCIATION.

JOSEPH TAYLOR, sworn. Examined by MR. TILLEY:

### Commercial Travellers,

(J. Taylor, Ex'd.)

Q.—What position do you occupy in the Commercial Travellers' Mutual Benefit Association? A.—President.

Q.—How long have you been President? A.—About a year and a half.

Q.—Prior to that had you interested yourself in the affairs of the Society? A.—Yes.

Q.—To any extent? Had you been a trustee? A.—Yes.

Q.—For how long have you been a trustee? A.—Oh, perhaps fifteen years—twelve or fifteen years.

Q.—And I suppose then that you are fairly conversant with all the different changes that have taken place in the Society regarding rates and so on, from the time it was formed till now? A.—Well, in a general way.

Q.—I mean to say your information regarding that would be as full and complete as the information of any other person that we could get connected with your Society? A.—I think so.

Q.—Has the Society any actuary? A.—No.

Q.—Has it felt the need of an actuary? A.—Well, we did have the services of perhaps one or two actuaries when our rates were changed four years ago.

Q.—To make special reports to the Society? A.—Yes.

Q.—Have you not felt the need of permanent actuarial help, or does that seem so expensive that you have never even considered it? A.—Well, up to the present time I do not think we have felt that we should have a permanent actuary.

Q.—But you have had some reports made to you from time to time, one by Mr. Pipe and the other by Mr. Macdonald? A.—Yes.

Q.—Have you had any reports made to you except by Mr. Pipe and Mr. Macdonald? A.—I think there was another about that time, but at the time the rates were changed some five years ago or thereabouts, I was then a resident in England, so I have not been a continuous member of the Board.

Q.—Whose report had you then? A.—This was at the time that you are speaking about, when Mr. Pipe—

Q.—I am asking you whether there was any person other than Mr. Pipe and Mr. Macdonald, that made a report? Did any other actuary give you a report? A.—I think there was another actuary consulted at the same time Mr. Pipe was consulted.

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Q.—Who was it? A.—I do not know. I was then in England a couple of years.

MR. TILLEY: Can you tell us who that was, Mr. Fielding?

MR. FIELDING: I could not say myself. For my part I never felt much like consulting an actuary.

MR. TILLEY: Just give me an answer, was there any other actuary consulted, and if so who was it?

MR. FIELDING: I am not aware that there was.

MR. TILLEY: Then, Mr. Taylor, who is what you might call Manager of your Society? A.—As far as the ordinary business affairs are concerned I would be considered as the manager.

Q.—At the present time? A.—Yes.

Q.—Of course you do not pretend in any way to devote your time to it, except as necessary to carry on the work? A.—I cannot afford to give up my time.

Q.—You give your time to your own business? A.—Yes.

Q.—And I suppose that that fact applies to all the gentlemen who are connected with the institution? A.—Oh yes.

Q.—They all attend to their own business, and then just devote such time to the affairs of the Society as occasion demands? A.—Yes.

Q.—Who have you connected with the Society that devotes his or her whole time to the work? A.—Well, we have a Secretary, Assistant Secretary and an Agent.

Q.—What is the duty of the Agent? A.—To canvass for new business.

Q.—To canvass for members and business? A.—Yes.

Q.—Who occupies that position at the present time? A.—Richards Ivens.

Q.—What salary is he paid? A.—\$600 and \$2 for every accepted member.

Q.—Every accepted member he brings into the insurance branch? A.—We have made a change there. He is paid \$600 and \$4, or is it \$2—yes, it is \$2. We raised it from \$1 to \$2.

Q.—I notice there was a resolution put before the meeting to raise it to \$4. Do you know if that was carried or not? A.—That was in regard to any member of our association who brought in a new member—that he should be given a commission of \$4.

Q.—Was that carried? A.—We did carry that and continued it for

some time. We are not doing that now.

Q.—What are you doing now? A.—Paying \$2.

Q.—Does Ivens get \$2 on any new members, except those that he procures himself? A.—No.

Q.—And if another member brings in an additional member he gets the same commission? A.—Yes.

Q.—\$2 per member? A.—Yes.

Q.—Other than that \$2 for each new member and the \$600 in gross that is paid to Mr. Ivens, is there any sum paid or commission allowed with respect to what you might call your new business, in your Society? A.—No.

Q.—That covers everything that is paid out to any person with special reference to that item? A.—Yes.

Q.—The Commercial Travellers' Mutual Benefit Society was, I think, incorporated under the Ontario Insurance Act? A.—Yes.

Q.—That is under the Statutes of 1877, Chap. 167; that is the chapter relating to benevolent, provident and other societies? A.—Yes.

Q.—And you then produced the declaration for a charter and obtained the certificate of the judge of the county court as required by that Act, the certificate being dated the 27th day of January, 1882. Then did you proceed working under that Act for some time? A.—Well, that is rather ancient history that you are on now.

Q.—Put it this way; do you remember when you took out a Dominion license? A.—No, I do not.

Q.—Can you give us any information as to the circumstances that existed that made it, in your opinion, advisable to take out a Dominion License? A.—No, I do not think I could tell you. Our Commercial Travellers' Association were acting under Dominion Act and this society was simply an off shoot of that, and probably it was considered advisable to be under the same Act.

Q.—Let us see what that means? Would you explain briefly the nature of the society of which you say this is an off shoot? Well, the Commercial Travellers' Association of Canada was inaugurated for the purpose of getting transportation privileges and not as an insurance society. The Commercial Travellers' Mutual Benefit Society was inaugurated for the purpose of giving its members insurance.



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Q.—Then, as I understand it, the society that was formed for the purpose of getting transportation at a certain rate for its members was the parent society, so to speak? A.—Yes.

Q.—And it brought into existence this other mutual benefit society, which was organized for the purpose of giving insurance benefits to its members? A.—Yes.

Q.—Really organized, I suppose, for getting insurance benefits for the members of the original society? A.—Yes.

Q.—But you could not just put it in that way. Every person that belonged to the Commercial Travellers' Association of Canada did not necessarily take the insurance benefits? A.—Oh, no.

Q.—That was purely optional? A.—Yes.

Q.—Was it the intention to give insurance benefits to persons who were not members of the Commercial Travellers' Association? A.—Not at its inception.

Q.—But that was afterwards departed from? A.—Yes.

Q.—Without going through the history of that, as I do not think that is very important, will you tell me to what persons the Mutual Benefit Society now gives the opportunity of taking insurance? A.—Well, to commercial travellers, merchants, manufacturers, clerks, and other first-class or any hazardous risks.

Q.—That is to say all persons who are within any occupations which would entitle them to be treated as first class risks by ordinary insurance companies, and not put on the hazardous or extra hazardous lists? A.—Yes.

Q.—Who decides whether the applicant comes within one of the classes? A.—The Board.

Q.—That is the Board of Trustees? A.—Yes.

Q.—We will refer to the Board later but in the case of any given application they pass upon it? A.—Yes.

Q.—Having before them the application and the medical examiner's report? A.—Yes.

Q.—Did you originally require in each case that the applicant should pass a medical examination? A.—No.

Q.—What was the original qualification for insurance? A.—Well, we practically took in all commercial tra-

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vellers who were vouched for as in good health.

Q.—By whom? A.—By perhaps two other members of the society.

Q.—Then originally the idea was that any member of the Commercial Travellers' Association of Canada should be entitled to take out insurance in the Mutual Benefit branch if he got two other members of the Association to give a certificate that they had known him, I suppose, for some time and were personally acquainted with and believed him to be a proper subject for insurance? A.—Yes.

Q.—Then the result of that would be, I suppose, that you would have a fairly bad selection of lives? A.—No.

Q.—As compared with lives that you had medically examined? A.—The Commercial Travellers as a body, I think, probably are very much better than the ordinary class of lives.

Q.—Healthier? A.—Yes.

Q.—By reason of their vocation, to some extent, I suppose? A.—Well, it is necessary that they should be.

Q.—They have good exercise for the lungs, too, but you afterwards changed to have a medical examination? A.—Yes.

Q.—Can you tell me when that change was made? A.—No, I could not tell you exactly the time.

MR. TILLEY: Do you remember that, Miss Rowley?

MISS ROWLEY: In the year 1888.

MR. TILLEY: Can you tell me why the change was made, Mr. Taylor? A.—I do not remember, but I should say for the purposes of safety.

Q.—Must your experience not have been somewhat in the direction that I mentioned, of having rather a higher death rate than you thought you should have? A.—At that time I did not think we had a higher death rate than we thought we should have, but I have no definite knowledge of why it did take place, but from a business man's standpoint, I think it would be taken as preferable to the other.

Q.—Then you have supplied to us a copy of the form of policy, if you call it such, that your Society issues, and that is the form? A.—Yes.

MR. TILLEY: Has this form been in use all the time, Miss Rowley?

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MISS ROWLEY: It is an old form but we have not got it now.

MR. TILLEY: What is the difference?

MISS ROWLEY: The original form was \$1 for every member in good standing. (Policy Exhibit 379.)

Q.—What is meant by the annual fee? A.—That is the fee that all members pay for the purposes of expense account.

Q.—The amount charged as premium is supposed to be the net premium without any expenses added to it at all? A.—Yes.

Q.—Then every member contributes each year \$2 to the Society which is used for the purpose of paying all the legitimate expenses of the Society? A.—Yes.

Q.—And under a proper management of your company's affairs the moneys paid in by way of assessment for the death claims should never be used at all towards the expenses? A.—No.

Q.—Whatever expenses you desire to make each year you must raise from your members separate and distinct from these assessments for death claims? A.—Yes.

Q.—That is a certificate of membership, and is not an absolute unconditional promise to pay a certain sum of money to the assured or the beneficiary under the certificate? A.—We promise to pay whatever the insured is insured for.

Q.—Not quite, do you, you promise to pay out of the fund if there is any fund; if there is no fund then there is no obligation to pay? A.—If there were no funds, but we have a fund.

Q.—So long as the fund continues then the members are paid? A.—Yes.

Q.—But if at any time the assessments paid in do not create a large enough fund then— A.—We should have to go out of business.

Q.—And the beneficiary could make no claim in any other way? A.—Not if the company was wound up.

Q.—Even if it was not wound up there would be no liability for a definite sum, there is a liability to pay out of the funds of the society, and if the assessments that shall be made on your members are not sufficient for all time to pay these claims then the loss falls on the beneficiaries? A.—That is if there were no funds.

Q.—Then you make the certificate also a promise to pay subject to the by-laws in force at the time? A.—

Well, the by-laws of course may be altered from time to time.

Q.—This certificate makes it payable subject to the by-laws in force at the time, then it goes on to say "On the conditions and stipulations endorsed on the certificate, and any amendment or addition thereto which may be made as therein provided"; that is to say the person who takes out that certificate becomes for all purposes a member of your society and bound as a member by your by-laws, rules and regulations from time to time laid down? A.—Yes.

Q.—So that if you at any time changed your rules and regulations that would operate at once without any consent from him? A.—He would be a party to it.

Q.—By reason of being a member of the society? A.—Yes.

Q.—In that way you say you could change the rates, the assessments he would have to pay? A.—Yes.

Q.—If at any time you found the money received was not sufficient you could at once pass a by-law, you say, having general application to all members increasing the rates, and he would be bound by it? A.—Yes.

MR. FIELDING: We would make an extra assessment which we have power to do.

MR. TILLEY: Do you say you could not increase your rates?

MR. FIELDING: We could, but we would make an extra assessment to provide those funds.

MR. TILLEY: You have power to raise, have you not?

MR. FIELDING: Not without the sanction of the members.

MR. TILLEY: On the back of these certificates you print all the conditions and stipulations that are referred to in the within certificate as being part of his contract? A.—Yes.

Q.—I think you are required, are you not, to print on your certificate the by-laws in force at the time? A.—I think so.

Q.—That then sets out the rates that would be charged; that form of certificate is drawn I suppose with reference to the provisions of section 39 of the Insurance Act? A.—Yes, I assume that.

Q.—I will read sub-section 4 and sub-section 7 of section 39 (reads). So that that is the way you have put it in your certificate?

MR. TILLEY: If your Honors agree I will stop the examination of Mr. Taylor here so that Mr. Geary may

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take up the examination of Mr. Dexter of the Federal.

# FEDERAL LIFE ASSURANCE COMPANY.

DAVID DEXTER, examination continued:

BY MR. GEARY: Q.—Would you tell us on what basis you put up the reserve for business written prior to 1900? A.—On 4½ per cent. basis.

Q.—That is as it always was? A.—Yes.

Q.—Have you taken any steps as yet to provide the funds to bring that reserve up to that basis— A.—Yes, we are providing a fund gradually by putting—at first we put up on all business in force in 1899, or at least we put up the business written in 1889, 1898 and 1897.

Q.—You are going backwards? A.—Yes, with the calculation that by the time we reached 1894 or 1893 nearly all the business will be worked off.

Q.—You are writing each year the last year before the basis upon which it was in 1900? A.—Yes.

Q.—What is your idea as to the necessity of making that change of business before 1900 at all? A.—I did not think there was any necessity for it.

Q.—Did you take part in the movement at all? A.—I did partially, but in opposition to it.

Q.—How did you get into the discussion at all in the first place? A.—The discussion I think arose through the Association of Life Officers.

Q.—You think the Association of Life Officers inaugurated it? A.—Yes.

Q.—You opposed? A.—Yes, latterly; I opposed it all the way through, but at one time I was led to believe we could not do any better than we did do, and partially dropped into it, but I finally came to the conclusion it was wrong and opposed it at Parliament.

Q.—Do you say that speaking for a company of your own size, or for any company? A.—For any company.

Q.—You think there was no necessity for making the change at all at that time? A.—I think as regards prior business there was no necessity, that it was right to do it from 1900 forward.

Q.—Could you estimate at all what difference that has made in your profits? A.—No, I do not think it has made much difference in our profits in the manner we are putting up the reserve.

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Q.—What does it cost for the years you have already put up? A.—About \$20,000.

Q.—That would have gone in profits? A.—To our surplus, yes of course.

Q.—Under other circumstances would have gone in profits? A.—Yes.

Q.—Is it true those policies becoming claims within the ten years following the passing of that Act suffer any reduction of profits? A.—I think there is no doubt about it.

Q.—And there was no reason why the change should have been made? A.—No.

Q.—Was there anything to prevent the company desiring that change from placing its reserves on the lower basis if it wanted to? A.—None whatever; companies do place some of their business on a higher basis than that.

Q.—Could one draw the inference that perhaps some companies not getting a sufficient rate of interest felt they had to go on the lower basis and wanted to bring the others in? A.—I would not want to express an opinion on that.

Q.—You are writing a deferred dividend policy I suppose? A.—Yes.

Q.—Are you setting aside a fund? A.—Our fund is not set aside from year to year; we distribute it for deferred dividend from only such fund as we have.

Q.—Then you are not putting aside which will go to future completions of deferred dividend periods? A.—Not a distinctive fund.

Q.—Where do you carry that fund? A.—In a general fund.

Q.—Under that term? A.—Under the head of surplus.

Q.—It will form part of your surplus? A.—Yes.

Q.—Your surplus apparently is \$80,215.18? A.—Yes.

Q.—And you cannot tell me how much of that you have to apply to your deferred dividend policies? A.—No, we have not set aside, we distribute whenever the five year term of any policy—five year dividend, fifteen or twenty year dividend as the case may be—we distribute in proportion to the class of policy.

Q.—You cannot say what part of the surplus is profits which have already been earned and must ultimately be paid to semi-tontine or deferred dividend policies? A.—No, it is not separate.

Q.—Of that amount apparently last year some \$23,000 consists of increase in values, or writing up of securities? A.—Yes, increased market values.



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Q.—That you have written up by following the market I suppose, or whatever it may be? A.—Yes.

Q.—So that your surplus reduced for the moment by that will be \$57,000? A.—Yes.

Q.—Of that, part will be general profits and a part will be the deferred dividend policy? A.—Yes.

Q.—How much has your writing up amounted to in the last four or five years? A.—Nothing.

Q.—This is the first year you have written up any security? A.—It was written up partially, but those securities I think are nearly all off our books that were written up, most of them.

Q.—You do not remember the amount of that writing up? A.—No, it was only a small amount, the Hudson's Bay was written up the previous year \$10,000, sold at \$32,000.

Q.—Which is carried of course into a cash credit in your books now? A.—Yes.

Q.—Do you think it is quite right in estimating your assets to take the market value say of the 31st December of your stocks and put them in your statement to that amount? A.—Of bonds, I would not say perhaps with stock.

Q.—Take the market value of bonds? A.—I think so, it is quite right.

Q.—It may of course and does depend upon the state of the market from day to day? A.—To some extent.

Q.—It may not be an asset next day? A.—Some of the bonds appreciate and hold their appreciation for all time.

Q.—But there is a contingency always? A.—Yes, a slight contingency with them in some cases.

Q.—You still think in taking that contingency into account you are right in putting that into your assets? A.—Yes.

Q.—Mr. Hazlitt suggests that you agree to this statement that of course as your bonds mature you keep writing them down as they approach maturity, and are paid off in part? A.—Yes; I think in the class of bonds we have written there is not much probably of depreciation, but still there may be a little.

Q.—You do not keep an individual account for any policy and so you can not tell a policyholder at any time exactly what his policy is worth? A.—No.

Q.—There is no means of telling that? A.—Yes.

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Q.—And you divide how often, have you an annual distribution of profits? A.—Not an annual distribution to each policy, but there are annual distributions as the policies mature.

Q.—I mean your ordinary current policies? A.—No, five years is the shortest.

Q.—Quinquennial and not an annual distribution is what you adhere to? A.—Yes.

Q.—Is there any means of telling whether these non-participating policies that you issue carry themselves? A.—Well, there may be a means of telling, but we have not gone into that; I assume they do carry themselves, I believe they carry themselves.

Q.—Is there any expense on a non-participating policy barring the expense of investment and a slightly increased commission on the first premium—is there any expense on the participating policy which is a greater expense than that on the non-participating policy? A.—There is of course the larger commission paid.

Q.—Ten per cent. larger in your company? A.—Yes.

Q.—And that is in the investment of the extra funds? A.—There is always a larger renewal commission.

Q.—What is the difference? A.—The difference is two or two and a half on the renewal; the renewal commission on the deferred dividend policy will be 7 per cent. on the non-participating 5 per cent.

Q.—So that there is 2 per cent. increase there? A.—Yes.

Q.—Otherwise you can think of no other expense specially attaching to participating policies? A.—No.

Q.—If the non-participating policy carries itself then the participating policy I would suppose should carry itself to the extent of the same premium—take two policies the same age, same year, same amount, one non-participating and one participating, each of those will carry itself for the same premium practically? A.—We have found it so.

Q.—You should I suppose be able to carry to profit the excess loading on the participating policy compounded with interest every year? A.—Under ordinary circumstances that should be done.

Q.—Have you done that? A.—I think so.

Q.—Would you let us have a statement of actual results showing whether that excess loading has compounded itself? A.—We have not any statement showing that; I can

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show you a statement of the result which I think will prove it to you.

Q.—That is what I mean? A.—We have a statement here showing results of different classes of policies. (Produces statement.)

Q.—This does not show what I mean, it does not show what the excess premium on the participating as compared with the non-participating was?

A.—No, but I think that will convey the idea pretty thoroughly that the participating policy had the advantage of the non-participating.

Q.—This puts the total premiums paid, it does not show for instance a comparison of two policies of different classes, and what the extra loading was on that participating, and whether that compounded at the regular rate earned on investment came back to the policyholder? A.—We can furnish you a statement of that kind.

Q.—Could you elaborate a statement of that kind, because I am curious to know whether participating policyholders can count on that excess loading coming back to them at all events. In fixing your premiums do you take into account the gains you may make on mortality and on interest earnings over and above the reserve rate? A.—No. We base our premiums upon mortality tables, the tables which are now used by the companies, they are based on the actual results, supposed to be.

Q.—But your loading will and does you think carry your policy throughout, or do you take into account— A.—No, we take into account—

Q.—In fixing the premiums you take into account what you may earn in excess interest? A.—Perhaps not in fixing the premium, but in estimating the first cost of insurance we calculate the saving in mortality will have considerable influence on it.

Q.—And they do enter into it? A.—The saving on mortality, yes.

Q.—How about the gain in interest? A.—Yes, and the gain in interest, they offset to a considerable extent the extra cost of first year's business.

Q.—You account for that in establishing your premium? A.—We must do so.

Q.—You do not take the net premium and load sufficiently to cover expense pure and simple? A.—Yes.

Q.—Ideally I suppose that would be right? A.—Yes, it would be right, ideally, theoretically.

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Q.—What prevents your doing that? A.—Loading sufficiently to carry everything?

Q.—Yes? A.—Well, there would be no object in doing it.

Q.—The other companies do not do it? A.—No, the other companies do not do it.

Q.—You have to fix the rate that will meet theirs? A.—Yes.

Q.—That enters very largely into the question of the size of the premium? A.—Practice has proved, experience has proved that the premium is sufficient loaded in that way.

Q.—Taking into account the other earnings? A.—Taking into account the other things that enter.

Q.—The company that can earn the most money on its investments, can turn over its investment branch to the best advantage, is able probably to give a smaller premium successfully? A.—Able probably to give better results in its returns to its policyholders.

Q.—And that produces more business? A.—Yes.

Q.—So that competition largely arises in the money making feature of the business? A.—Yes, the earning feature as well as the proper selections I suppose.

Q.—We will assume that? A.—Proper selections of risks.

Q.—But it is the investment branch, if we follow out the line we have been going on you agree to this, that the investment principle is responsible for the competition entirely, if they had stuck to the original system of protection insurance we would not have had this? A.—The original system of protection?

Q.—The insurance loading was simply for the payment back at death of a certain sum on the non-participating policy—I presume that is guarded pretty securely? A.—Then the deferred dividend policies and endowment policies of course increased the investment feature of the business, but there is largely an investment feature in any level premium policy, must be.

Q.—There must be the investment feature up to the reserve rate at all events? A.—Yes.

Q.—But that of course you can attain at any time the way it is fixed at the present? A.—Endowment policies are also a staple policy, the investment feature is considerable, I think, in that.

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Q.—That is begging the question, because that has been grafted on the original principle of insurance. Does it not lay one open to the temptation of speculating—I do not know that it is done exactly, but this desire to make money on the investment side? A.—That desire may have some influence of course; I do not think that good trustees of a trust fund of that kind would speculate to a very great extent.

Q.—To any extent it would be wrong, you do not think to any extent? A.—No.

Q.—You have no difficulty whatever in gaining the reserve rate on your policies? A.—No.

Q.—And it would follow from that that in any company properly inspected under proper Government inspection a non-participating policy would be absolutely safe? A.—Yes.

Q.—In any case that is absolutely safe? A.—Yes.

Q.—And in the other the management of investments enters into it and makes it desirable in one company and not desirable in another? A.—Yes.

Q.—You do not keep your non-participating policies separate, and in that view of it don't you think there should be a compulsion on the companies? A.—We purpose doing so in the future at any rate, keep them separate.

Q.—A distinct branch? A.—Yes.

Q.—A distinct set of investments I should almost think? A.—I do not think that would be necessary.

Q.—Because that is the class of insurance that one wants to have absolutely safeguarded in every particular, that is the protection insurance which is to come at the death of the insured? A.—Yes.

Q.—And in any company that at the moment is absolutely safe? A.—Yes.

Q.—We get the question of your expenses in this same connection; you turn all your loadings into an expense fund of course? A.—Yes.

Q.—You do not separate any part of it for profits, as you have told me already? A.—No.

Q.—And on the participating policy you get a very large amount to your expense fund? A.—Yes.

Q.—Is it not the case that companies would favor the participating policy for that simple reason, that they are going thereby to acquire a

greater amount in order to carry their expenses? A.—Yes, I believe so.

Q.—You believe that would probably be at the root of the present participating business? A.—Naturally suppose so.

Q.—Could we take the other side of that reasoning and say that for that reason companies are not inclined to press non-participating business? A.—I cannot say they would not press non-participating; we have always done so when opportunity offered.

Q.—What do you call by opportunity offering? A.—Whenever the man prefers.

Q.—Whenever he asks for it? A.—Yes, whatever he prefers; we are quite willing he shall have non-participating or participating.

Q.—Is your company one then which would prefer to have the larger fund—would you frankly prefer to have the participating business? A.—Yes, we have the larger premium.

Q.—It brings a larger fund into your hands? A.—And for one reason it pays the agent better.

Q.—Competition in life insurance is a little different from competition in any other branch of business: competition in ordinary merchandise would result in the purchaser likely getting a better price? A.—I do not know that I quite caught that.

Q.—If two firms are competing in selling sugar generally the purchaser is likely from that competition to buy his sugar at a lower price? A.—Through competition, yes, naturally.

Q.—The insurance does not get it? A.—At a lower price?

Q.—Yes? A.—Through competition, no, because there are fixed rates of mortality and fixed loadings.

Q.—And fixed expenses? A.—Expenses are calculated.

Q.—The expenses are along the line of other expenses? A.—Yes, they are like expenses.

Q.—Only inversely they do not seem to decrease in the actual result; how about your shareholders during this competition, you propose to give them the interest rate earned on their money during all the time it is with the company? A.—They have not received it.

Q.—But you think they should? A.—I think they are entitled to it.

Q.—Why should they be entitled to that preference in profits, so to speak? A.—It certainly was the in-



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terest earned on their own money, their own investment.

Q.—There is a great deal of the policyholders' money earning interest there? A.—Yes.

Q.—Earning interest over and above what we may call the reserve rate, and a good deal of extra loading? A.—The average rate of interest earned for several years, ever since the organization of the company, I think has been five per cent. or over, on the policyholders' money and shareholders' money alike. If that 5 per cent. were credited to the shareholders of course there would be a considerable amount due them more than they have received.

Q.—And what about the policyholders? A.—They certainly should have been satisfied with the interest rate earned, 5 per cent.

Q.—Do you take as good care to see your policyholders' money gets the current rate on it as the shareholders? A.—I do not know that would be necessary; the expenses must be met in some way or another.

MR. HAZLITT: You get the same rate of interest on all investments? A.—Yes.

MR. GEARY: Each year you declare your surplus earnings? A.—Yes.

Q.—We will call it surplus earnings, and until that is declared there is no money out of which you pay your shareholders? A.—We have surplus over from the previous year, have we not?

Q.—I would like to call it profit, the profit on the year's business—your surplus you may prefer to call them—until that is declared no money is paid out? A.—No.

Q.—After that you pay to your shareholders a dividend? A.—Yes.

Q.—Are not you paying it there out of the profits declared—it seems to me just a little hard to distinguish how you get the reasoning, or at least how you get at the result of the reasoning you give—you earn so much money, they are all in the same boat, the policyholders and shareholders, they have their funds in your company; after figuring out what your profit is on the year's business you first of all pay your shareholders interest? A.—Well, there is the surplus earning there to the credit of the shareholders, it is not necessary to wait till the distribution of the year.

Q.—To the credit of the shareholders? A.—Yes.

Q.—You do pay it out after the declaration of the result of the year's business? A.—Yes, after the close of the year, but not necessarily because the profits of the year have been distributed or declared.

Q.—You do not think they should only go on the proportion basis of 90 and 10 per cent. as between shareholders and policyholders? A.—I think the ten per cent. basis would give the shareholders much more than they have received.

Q.—That is if you add it to what you think they should get as a first lien out of the interest earnings? A.—Yes.

Q.—But you would not think for a moment of including in the ten per cent. that money you paid them for interest? A.—Certainly their money has earned interest; what right have the policyholders to it?

Q.—At all events you have come firmly to the conclusion that the policyholders have no right to speak as to that; they have a very much larger sum of money, I venture to suggest, that is gaining interest at the regular rate, and you have not attempted to show that they get their interest as the shareholders get it? A.—I am not in a position to show it from figures here.

Q.—Your business last year cost you about 450 per cent? A.—The total business to income about 29 per cent.

Q.—Mr. Hazlitt suggests that perhaps you have not made it quite clear, that you mean 450 per cent. on the loading, not on the cash premiums? A.—Yes.

MR. TILLEY: On the total margins?

MR. GEARY: It included margins. A.—Your question now is expense ratio to income.

Q.—Premium income? A.—To total income, is it?

Q.—No, premium income, I am talking of? A.—I did not figure that out.

Q.—It has been figured out for me, and in your company it runs about 32 or 34 per cent., which has not decreased just of late, has been that for the last few years; how long would it go as a running concern if you keep paying 450 per cent. to your loadings? A.—It will go for any length of time.

Q.—It depends on the continuous influx of new business? A.—The reserves released from lapses and for surrender will make the policy self-

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sustaining in less than four years, including the loadings.

Q.—You do not run as high as 5 in any class of policy? A.—No.

Q.—Run over three in most classes?

A.—Three in most classes, a little under three.

Q.—In succession of years if your loss on first years business is to run over \$100,000 I fail to see just why that won't influence your result to policyholders, if you take a succession of years it surely means you are falling behind on it? A.—I don't know.

Q.—You think each one of its policies must be taken by itself and the debt to cover itself? A.—Yes.

Q.—No effect on the profits? A.—It has perhaps an effect on the profits; it may have to some extent, because a policy might become self-sustaining a little earlier.

Q.—It becomes self-sustaining in about 3 or 4 years? A.—About 3 years.

MR. HAZLITT: 2 or 3 years.

MR. BROUGH: Some classes after the third premium is paid, that would be between the second and third years.

MR. GEARY: Take your statement for 1905, your loss on first year business was about \$106,000; that ate up your profits on renewal premiums \$8,594, your gains in mortality for year subsequent to the first year \$28,487, your total interest after providing for the reserve \$19,616, your profits from sales of securities amounting to \$22,398, your increase of values amounting to \$23,567, and one sum \$3,300, towards wiping out the gain you made in reserves? A.—I don't understand the question.

Q.—I will show the figures to you on the statement (Mr. Geary explains question to witness in a tone inaudible to the commission). A.—So far as I understand in your inference is correct.

Q.—If that be correct, to what extent can that go on; you must get better than that pretty soon; has it been going on that way? A.—I presume so; all companies I think are doing very nearly the same.

Q.—That is their loss on first year's business is wiping out their interest gains, their mortality gains, their renewal loading gains, their profits from sales and their writing up gains? A.—

Not in all cases, because some have very much larger assets, and they are very much larger companies, very much larger interests from which to

make gains, interest gains and profits from securities.

Q.—The larger companies should not have any greater profits than the smaller, the only way they would gain would be in the reduction in expense in handling a large sum of money?

A.—Yes.

Q.—And the expense would not be pro rata as large as it would be in handling a smaller amount, but that is the only way they would get ahead of you, is it not? A.—If they were writing a proportionate amount of business to their business in force then, of course, there would be no very great advantage in one case or the other?

Q.—Do I understand you that you have kept up your present rate in order to keep their expenses where they are now? A.—No, not in order to keep their expenses there; the expenses would come down with a smaller rate more than that but their mortality would go up.

Q.—That seems reasonable, but I do not just see how that proves your answer? A.—In our experience we are growing older and getting a larger amount of business in force, and will naturally improve that condition from year to year, but I do not think it has been better for several years past.

Q.—It seems to me it would be somewhat strange that that sort of thing should go on. I do not understand how in the ordinary business you should go on at that rate and make returns. Possibly you agree with that statement? A.—I agree it should be a little improved.

Q.—I want to get from you some suggestions as to improvement. It mostly lies in the first year's business, although a great deal lies in— A.—And a great deal in the cost of getting the business.

Q.—You think the agents' commissions should be cut down? A.—The agents' commissions and salaries whatever they may be. Competition is responsible for it.

Q.—You have to be outbidding each other all the time? A.—Not exactly outbidding, but you have to be keeping up with the others.

Q.—Mr. Haslett wants you to say that that is not a loss on a policy but a sort of advance on a policy, which is repaid in two or three or four years? A.—Quite true. It is an advance for the benefit of the poli-

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cyholders replacing those that have gone out.

Q.—Do you figure out that your agents are making any too much money? A.—I do not think so.

Q.—How much of their commission are they giving away? A.—About 70 per cent. to general agents.

Q.—Take the local men? A.—The local men about 40.

Q.—Do you think it costs him 40 per cent. of his total commission to do his business. I do not say that he rebates it, but does it cost him 40 per cent. of his commission to do his business? A.—The local agent gives away part of his commission. I am not confident of that. We are not advised of that as a rule.

Q.—I thought perhaps it might have come to your ears? A.—Sometimes, probably it does.

Q.—You would not attempt to say from an agent's standpoint, how much of that he gives away? A.—No, I cannot.

Q.—Can you reduce your commissions to agents to any extent and leave them a fair living? A.—I do not think it can be done, not in an ordinary agency. There are agencies in which an agent can live on less than 70 per cent. where he has a large renewal business in force, a renewal business sufficient, or practically sufficient, to support him without his first year's business, but if it is a new business, or he is working for a new company or new agency, 70 per cent. is quite little enough for him.

Q.—Even if he did not have to give it away? A.—Yes.

Q.—Is not the improvement in conditions to be got at by getting a more permanent class of business. Can you cut down the first year's business by cutting down the agents' commission *per se*, so to speak? A.—I think the only course is through salary.

Q.—You think the salaried man is the proper thing? A.—Yes.

Q.—Do you pay your men salaries? A.—A considerable number are paid salary.

Q.—Without any addition to their salaries? A.—We have some on salary and others on guarantee to have an addition in the event of the earning power being greater than the advance of guarantee.

Q.—You would get over the whole difficulty by abolishing anything pertaining to rebate and paying your agent a salary? A.—If we could

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abolish rebating it could be much more easily done; it could be reduced.

Q.—In what way does it militate against the payment of salaries? A.—Well, there is a difficulty.

Q.—Do they come to you sometimes for a little addition? A.—Yes. Oh well, they find in competition that they cannot get the business unless they give away a portion of the premium.

Q.—And then they come back to you for that? A.—Yes. It is not often done.

Q.—With the rebating evil it works out the same way on the commission? A.—Very much the same.

Q.—You do not think that placing a man on salary is going to be much improvement, unless it is accompanied by a lessening or abolition of the rebate? A.—Yes. It brings the matter more openly before the company when men are on salary, and probably would conduce in the long run to some regulation between the companies by which they would overcome it.

Q.—I noticed an item in one of your statements—is my memory correct—some \$2,000 or \$3,000 fire insurance premium monies as an asset? Do you call it? A.—There is no such item unless it would be a debit to loan account. It might be advances on account of loans.

Q.—Advances to pay fire insurance premiums? A.—Yes. It could not repay them in any other way.

Q.—Did you place all with one company? A.—No.

Q.—You had no arrangement with one company? A.—No.

Q.—There is no benefit to you in placing fire insurance? A.—No.

Q.—You did not get a lower rate? A.—No.

Q.—It is placed down to fire insurance premiums, but you say it is on your loan account? A.—Yes.

Q.—Do your directors originally take out policies with you? A.—Well, no, not all of them; not more than half of them.

Q.—They have no special privilege? A.—Nothing except a rebate of renewal commission.

Q.—What is that? A.—In some cases a rebate of renewal commission. They get the agency commission.

Q.—They get the agency commission right through? A.—Yes.

Q.—First year and renewal, both? A.—No, not on the first year.



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Q.—They paid the total first year premium? A.—Yes.

Q.—It was all commuted, was it? A.—No, simply the one commission all the way through.

Q.—Have any of the profits been declared on any of those policies? A.—One only.

Q.—No special discrimination? A.—No, the same as all other policies.

Q.—Does your system forbid any elasticity in the declaration of profits? A.—I do not think it would forbid any elasticity, but there has been none practised.

Q.—Your premiums published in your rate book has never been lowered; in special cases have you ever given special terms? A.—No.

Q.—Or issued a policy at all at a premium lower than your rate? A.—No, we stand at one rate, the current rate.

Q.—Have you made any special arrangement in regard to any particular policy? A.—No.

Q.—You cannot recall anything of that sort? A.—No.

Q.—And you have never changed your system of distribution of profits from quinquennial to annual, to suit any policy, or at the request of anybody? A.—No, we have given no preference in any respect.

Q.—How many of your policies are on the non-profit system? A.—I think about a million and a half—\$1,894,000, out of seventeen.

Q.—What percentage is that? A.—About ten per cent., close to eleven per cent.—about 10.96.

Q.—There is only a difference of 10 per cent. on the commission paid on the two classes of policies? A.—Yes.

MR. HASLETT: Does that include the Homan policies? A.—No.

MR. TILLEY: It would appear from your statement that you only make a difference of 10 per cent. on the commissions, that you write many more non-profit policies than some companies we have been inquiring into. Their rate is as low as one per cent. There was a discrimination of 75 per cent. in the amount of commission paid—75 per cent. profit commission paid on a non-profit policy? A.—Yes.

Q.—Where it is a higher proportion paid on non-profit, evidently there are more non-profit written. At least it would appear so if we can argue from the fact as you have given it? A.—Yes. Altogether if we include

the Homan plan there would be about 3½ millions non-participating.

Q.—I have the statement that you paid up to 1894 some \$80,000 profit cash premiums \$2,322,000, which was about 3½ per cent. on the profits received? A.—I have not got it. At the end of 1905 there is, I think, about \$150,000.

Q.—Have you had any bad risks, what has been spoken of as graveyard insurance, placed in your company? A.—No, we have not had any which has gone through. We have detected some in advance.

Q.—That is a thing an insurance company has to watch? A.—Yes.

Q.—What means did you take to punish people concerned in that? A.—Oh, nothing.

Q.—They will do it again? A.—I am afraid so.

Q.—Did you have any difficulty getting at it with your medical referees at all? A.—No.

Q.—They generally agree with your head office man or medical director? A.—Yes.

Q.—And you, of course, take particular care that they detect it? A.—Yes, we are very careful in that respect.

By MR. KENT: Are there sufficient premiums on non-participating policies to carry them? A.—I think so, your honor.

Q.—Then if your company was restricted by law to non-participating insurance exclusively, you would not need to increase your premium? A.—I think not. There have been instances, your honor, of companies doing nothing else but non-participating business on similar premiums and making a good profit for their shareholders.

Q.—It seems to me that life insurance to-day is a combination of life insurance, trust and deposit vault company and a savings bank company. Life insurance is life insurance business. It is not the accumulating of savings. If all companies were restricted in future to life insurance in its ordinary form—that is non-participating and an indemnity at a man's death—it is important to know whether the loading as established to-day is sufficient? A.—I think it is.

Q.—A good many witnesses have expressed their strong doubts as to it. Their conviction is that it is not? A.—I do not know why they should express a doubt on it. They are doing non-participating business.

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Q.—You think if you were restricted to non-participating business in the future you would not need to increase your premiums? A.—I think not.

Q.—You said several times that your shareholders had not been getting all that their money earned? A.—Yes.

Q.—Take your average earnings on investments at 5 per cent., and you were paying your policyholders 8 per cent., it seems to me they are getting more? A.—But they received no return on the investment for many years your honor, and they have only been receiving 8 per cent. for the last three or four years.

Q.—The difference is taken out of the profits on the insurance; it is taken out of the rate of mortality—it is taken from the fact that people who were expected to die last year did not do so and are still living; in a word it is taken from the profits to which the policyholders may reasonably lay a claim. The company has taken for the benefit of the shareholders profits that should go to them? A.—But, your honor, have the shareholders not put up their capital in the first place with the organization of the company, to make it a success? The policyholders could not have done it without their money. Their own money would not have been sufficient. The shareholders, in my estimation should have at least the interest earned from year to year on the capital they have put up as a guarantee, not only the capital they put up as a guarantee, but they gave an additional guarantee of 87 per cent.

Q.—What arguments are used in selling your stock, to induce people to take stock in a life insurance company, having in view the certainty that they are not going to get dividends immediately as they would be in an industrial company? A.—I did not sell stock myself.

Q.—Did you furnish the argument to the party that did? A.—I think a prospectus was probably issued showing what profits foreign companies had made, as is usually the case.

Q.—And some local companies, I suppose? A.—Yes.

Q.—Several people have been kind enough to say what the results have been in the case of the Canada Life and the Confederation Life in bold characters, before the men they wished to interest in it, and the prospectus carried the day. I suppose it was the same in your company? A.—Well, to

some extent, there was no very great difficulty in placing stock at any rate. It was placed inside of two months.

Q.—Supposing you had to establish another life insurance company this year, what argument would you use? A.—I would not attempt it.

Q.—You would let a younger man try it? A.—Yes, I would not attempt it.

Q.—Your lapses seem to be larger than most other companies, particularly considering the age of your company. Do you know why your lapses should be so large? A.—I do not know that I can give you a special reason. It was perhaps due to over pressure in some portions of our work.

Q.—People lugged in against their will? A.—I think likely it was so. There was a portion of our work in the past two years which was very heavily pressed; that is a portion of the agency work, and lapses probably were due to some extent to that.

Q.—Can you give us an idea as to whether there is going to be any result in the future of the young companies trying to get the business from the older companies, and the older companies straining every nerve to keep it and obtain more, one company struggling for what his neighbour considers to be his property? What will it come to 10 years from now? A.—It will come to some means of strengthening some of the younger companies, I presume—amalgamation or something of that kind. If your honors will permit me, I should like to read a little statement which may correct to some extent a wrong impression by, I think, the reporters being unable to hear me properly the other day. I saw that there were several mistakes made in reference to my position in the company. I will make this correction. I have been the Managing Director of the company since its organization—

MR. TILLEY: What is this? A.—Just a statement, it is a correction.

Q.—If there was anything you stated that was not correct, what was it? A.—Perhaps it would be better if I answered questions.

Q.—If there was any mistake you made in your evidence, tell us what it was. A.—I made no mistake. It is not a mistake in the evidence.

Q.—There is the statement of \$27,000 increased value that is not yet prepared for us in the year 1905? A.—Yes.

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Q.—And you are going to indicate whether that had all accrued in the year 1905 or previous years? A.—That was accrued in 1905.

Q.—There was also a similar item in your 1904 return, was there not? A.—Yes, but some of those items have gone out of the return of 1905, and other purchases have gone in, and there also have been some increases to a smaller extent over and above those of 1904.

Q.—You have not had time to prepare that statement yet, but you will prepare it and let us have it? A.—Yes.

Q.—And it will be filed as Exhibit 378 mentioned this morning. Is there any impairment of your capital at the present time? A.—No, there is none at the present time. Nor has not been for several years.

Q.—You say that is entirely wiped out? A.—It was wiped out several years ago.

Q.—Are there on your books at the present time, any loans to any directors of your company? A.—No.

Q.—Or any shareholders of your company? A.—No, there were only about seven in the history of the company.

Q.—And you told us about those? A.—Yes. None of them in existence now. No loss to the company.

Q.—Then, one or two questions about some policy histories that I had them give me. Take a policy like No. 5728; it commences in the year 1888? A.—Yes.

Q.—With a premium of \$32.90, and the next year \$22.13 and the next year \$30.04, and from that it runs up, as you told us in your evidence the other day substantially always rising by reason of the matters mentioned in your evidence before? A.—Yes.

Q.—Why is the drop there in the first year, a substantial drop of \$10 out of \$32? A.—As this plan had no loading for agency expenses it included a fee of \$20.

Q.—An initiation fee? A.—Yes.

Q.—There was an expense fee added to that as premium? A.—Yes, covering agent's fee and medical fee.

Q.—That covers all that kind of policy? A.—Yes.

Q.—I see some of these premiums just in the way you indicated the other day, run up very high. This is one. In 1890 a premium which did not include the special allowance you are speaking of was \$40.04 and in 1903 that same person was paying \$125.28? A.—Is the age given there?

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Q.—Yes, 55 years? A.—Yes, you can account for it. That is quite an advanced age.

Q.—And the premium comes very high? A.—Yes.

Q.—Your company, as you said before, did not show the premiums after certain ages? A.—No.

Q.—But you said the information would be supplied? A.—Yes.

Q.—There might be some objection to making a statement in that way, that it would be better to show the advanced ages, and to let the man see in figures what he would have to pay? A.—Possibly that might be better. There might be an objection to showing it.

Q.—I suppose that is why it was not shown? A.—Partly for the want of space and partly for that.

Q.—I suppose you could have found a space if it had been good advertising? A.—Yes.

Q.—Can you say in all your table of rates that that clause was at the end for other ages, more advanced ages, that information would be given on application? A.—I think so.

Q.—Or was that left off? A.—No, unless it would be in the very first issue or two.

Q.—Was that done in the first issue or two? A.—It may have been and may have been left off in some of them.

Q.—Was that not the fact, that it was left off? A.—I believe so.

Q.—In the first table of rates, you carried it up to what age? A.—60.

Q.—And you would show no premium after 60? A.—No.

Q.—And you would not indicate that the applicant should inquire from you as to what the premium was, that would rather lead the man to think that from 60 on there would be no extra charge? A.—Yes. I think the inside of the policy states that as ages advance the rates would be increased.

Q.—I suppose that sort of thing enabled you to get the company started, but it was not good business for a long deal, was it? A.—It was not devised by ourselves. It was devised by Mr. Homans, an actuary.

Q.—Here are two policies 6,618 and 8,755; one commenced in 1889 with a premium of \$46.60 then it dropped down the next year to \$34.40, after taking off this loading for expenses, and it increased from that on, until last year it was \$114.11? A.—Yes.

Q.—And the other policy was \$25.40, and remained steady \$25.40 from



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that time until the present? A.—Yes. Did it begin at the same time?

Q.—One in 1899 and the other in 1891, one for \$2,000 and the other for \$1,000, but of course the amount paid on the \$2,000 one is quite out of proportion to the amount paid on the \$1,000 policy? A.—Yes, different forms of policies. There were two forms of policies that Mr. Homans prepared for us.

Q.—What was the difference between those two? A.—One is called the Minimum Renewable Term, by which, up to 60 years of age, it was promised that there would not likely be any advance in premium.

Q.—Was it that there would not likely be or that there would not be? A.—I think it was not likely be, and we followed the promise in that way by a lower premium than really should have carried the risk.

Q.—You were tied by the promise there; you charged a little higher at the commencement? A.—Yes.

Q.—But you undertook not to increase it? A.—Yes, and made it a level premium up to 60 years of age. It was evidently a mistake to issue a policy of that kind.

Q.—And the other was just made the Renewable Term Proper? A.—Yes.

Q.—Here is one more and then I am through—the Hargreave policy. You have had a good deal of correspondence about that? A.—Yes. Mr. Hargreave was kind enough to send me a copy of his letter to the Commission, and I prepared an explanation of it.

Q.—That was a policy where you changed it from the Renewable Term Plan to the Level Premium; was that right? A.—Yes.

Q.—And in doing that you charged against the insured the difference in the premiums he had paid and the premiums he should have paid on a Level Premium Basis? A.—Up to the time he made the change.

Q.—Then you computed interest on that at 5 per cent.? A.—Yes.

Q.—And that would then, as far as you were concerned, theoretically, place him in exactly the same position as if he had been paying that from the time the policy started? A.—As if he had taken the 20 Payment Life.

Q.—That should put him on a level with persons who took that form of policy at that time? A.—Well, it did.

Q.—Did it? A.—Precisely.

Q.—He does not seem to think he got precisely the same? A.—There was an error in one letter which was written but it was corrected immediately after.

Q.—You say he did not get certain items because he was not in this class for thirteen years? A.—I say there was an error in that letter which was corrected after.

Q.—Was that the error? A.—Yes.

Q.—Just explain that? A.—He was placed in precisely the same position as any other man who had changed his policy, dating back, or if he had a policy issued at the same time, for the same period; precisely in the same position as any other policyholder having a 20 payment life issued at the time the first policy was issued in December 1885. It was originally issued in December 1885 at the age of 56. He did not pay the difference between the yearly renewable term premium and the 20 payment life premium for the thirteen years the original policy had been in force, but signed a loan agreement by which the accumulated difference between the premiums became a loan on the policy of \$3,000 odd. He paid the remaining seven premiums of the 20 payment term, but did not pay interest on the loan which accumulated, and largely increased the debt. Had he paid the 20 payment life premiums from the issue of the policy to the end of the term he could have withdrawn \$1,164.15 in cash and received a paid up policy of \$5,000 payable at death, as it was the guarantee reserve \$3,928.05 and the profits \$1,164.15 made the cash value \$5,092.20, against which the loan and interest, which amounted at that time to \$4,638.77, was deducted, leaving a balance of \$453.45 to his credit, the original policy having been a renewable term policy from year to year it had no surrender value at the end of the 13 years.

Q.—That covers the point? A.—Yes.

Q.—But, of course, the estimates for profits were greatly in excess of that? A.—Yes, too large.

Q.—The estimates were never realized? A.—No.

Q.—And a great deal of disappointment would be occasioned by that? A.—Yes.

Q.—Was there anything paid to get these persons from one form of policy to another? A.—In some cases there

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were commissions paid. In this case no commissions were paid. The change was made by the Superintendent of Agencies and the Secretary.

MR. TILLEY: That completes everything for the Federal Life at present.

#### COMMERCIAL TRAVELLERS MUTUAL BENEFIT ASSOCIATION.

JOSEPH TAYLOR recalled. Examined by MR. TILLEY.

I should like to consider your rates that you have had in force from time to time. Or probably, before taking that up I might ask you about your investments. What clause is it that covers your powers of investment. It is Section 50 of the Insurance Act? A.—In regard to investments?

Q.—Yes. A.—Well, we have always made our investments in debentures or mortgages.

Q.—I see that you have never had any stocks? A.—No.

Q.—Or bonds of electric roads and so on? A.—No.

Q.—You have kept to debentures and real estate investments, and you have not had a great many of those? Some building and loan assessment debentures too. A.—Building and loan, yes.

Q.—Have you ever had any loans to any of the trustees of the society? A.—No.

Q.—Was there a loan to Mr. R. L. Patterson when he was a trustee? A.—There was a mortgage. As far as R. L. Patterson is concerned, I think he was a member of the board at the time the mortgage was taken by his sister on some property in Parliament Street. That is what runs in my memory. I do not think R. L. Patterson owned that property.

Q.—But he gave the mortgage, did he not? A.—Well, he was a member of the Board at the time the mortgage was taken.

Q.—And there was some complaint about that among the members about that was there not? A.—Yes.

Q.—Complaining that the money should have been loaned to a person who was a trustee of this Society? A.—That the money was loaned on a building.

Q.—That was the objection? A.—The objection was that it should be loaned to a relative as far as I can remember, of a member of the Board.

Q.—I think the loan was to the member himself? A.—It might have been used for the benefit of some person else. Was the loan to R. L. Patterson?

MISS ROWLEY: Yes, to himself.

Q.—And there was some question about that, but it bore  $5\frac{1}{2}$  per cent. interest, did it not, Mr. Taylor? A.—Yes.

Q.—And it appears to have been paid off? A.—Yes.

Q.—So that there was no loss to the Society? A.—No.

Q.—It was in existence from 1893 to 1898, five years. A.—Yes.

Q.—I suppose it was paid off at about maturity? The complaint was in February 1898 and it was paid off in that month probably. A.—I do not think the complaint was of a serious character.

Q.—Oh yes. I think the loan was only about 40 or 50 per cent. of the value of the property, and there were a few members, I think, made a complaint about it, but I do not remember that it was of a very serious character. However, it was serious enough for Mr. Patterson to pay it off.

Q.—There was not a vote of want of confidence attempted to be passed? A.—At the Annual Meeting.

Q.—At the special meeting, called specially. A.—I do not remember that. We have had some lively meetings occasionally, and there might have been a vote of that character proposed.

Q.—Has it been looked upon since as being improper to make a loan to any trustee? Might that be done now? A.—I do not think it would be improper myself, although we would not do it as a matter of—we would not put ourselves in the way of criticism; that is all.

Q.—I suppose that would be the chief objection to it. Was there any other complaint at that time about trustees using their position for their own advancement? A.—I do not remember.

Q.—Because that seems to be only one item of a general discussion, trustees not acting properly, but I suppose in a general membership you are always open to that sort of criticism. A.—At the Annual Meeting all our members are present, and we have not more lively times than Annual Meetings generally. Occasionally we do have lively times, and that is the reason why I suggest a motion for a

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vote of want of confidence might have been sprung up by some irresponsible party.

Q.—That is the only thing you know that would be a reason for a vote of want of confidence. A.—I believe that is the only occasion, where we have ever loaned money, only where I have stated, and there was nothing wrong about that.

Q.—The rate of interest was  $5\frac{1}{2}$  per cent.? A.—Yes.

Q.—And the mortgage was only 40 or 50 per cent. of the value of the property, and I believe the property was owned by his sister although it was perhaps in his name.

Q.—About the rates; there have been no unauthorized investments of money in your Society at all? A.—No.

Q.—And no loans to any other trustees than the ones you have mentioned? A.—No, a loan on a mortgage—if I understand, when you say a loan to a trustee and a loan on a mortgage—I should consider that rather different.

Q.—No; there cannot be a loan to any person without security. A.—Then that is the point.

Q.—There must be security still. A.—But as far as we are concerned that is the only loan that has been made to the member of the Association.

Q.—But there are provisions in companies that loans must not be made to directors, and so on. I want to know if there were any loans to your trustees, whether there was good security or not? A.—There was some objection to that and recently we have not done it at all.

Q.—What is the average rate of interest you received on your investments? A.—The average rate would perhaps be about  $4\frac{1}{2}$  per cent., I should say on a venture; I do not know exactly, but that would be about it.

Q.—Now then the rates you have had in force from time to time, your first rates went in force in what year? A.—1888, I think the time of our—

Q.—1888 was the time you took out the Charter, was it? A.—Yes.

Q.—1881 was it not? A.—No, that would be the Charter of the Commercial Travellers Association, I think.

Q.—In 1882 you got the certificate of the judge under the Act respecting benevolent, provident and other societies? A.—I think that would be in connection with the Commercial Travellers Association.

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Q.—Not in connection with the Commercial Travellers Mutual Benefit? A.—No.

Q.—When did the Commercial Travellers Mutual Benefit become incorporated? A.—1888, I think.

Q.—Miss Rowley says 1882 is the proper date? A.—Yes.

Q.—Your first rate would be the ones given in that book in 1881. The rates at that time were as follows: for under 25 years of age \$1.10; 25 to 30—that is under 30—\$1.20; 30 and under 35, \$1.35; 35 and under 40, \$1.50; 40 and under 45, \$1.75; 45 and under 50, \$2; 50 and under 55, \$2.40; so that 55 was the highest age at that time? A.—Yes.

Q.—How were those payments made. When you say \$1.10, how many times a year would that be paid? A.—Six times a year.

Q.—So that to get the amount in any year you would have to multiply each of those items by 6? A.—Yes.

Q.—Besides that there was an annual fee payable; do you remember what it amounted to? A.—I do not remember as to that.

Q.—At that time it was \$1, but it was changed some time before 1893 to \$2, I think? A.—Yes.

MR. TILLEY: That is the time when you said it was not a case of paying \$1,000; it was a case of paying \$1 per member of the Association. I will put in a copy of a certificate which is No. 102, and which is in favor of Mr. Fielding, one of the earliest ones issued, because the benefits under these certificates are somewhat different from the benefits under the old certificates (certificate dated 15th October, 1882, Exhibit 380.)

Q.—That is one of the earlier forms where, instead of \$1,000 being payable to the member, the promise is to pay \$1 for every member of the Association on death? A.—Yes.

Q.—And these are the rules that were then in existence? A.—Yes.

Q.—The age is not on the certificate. That must have been somewhere between 40 and 45. That is the way the payments at that time were graded, between certain limits? A.—Yes.

MR. TILLEY: Then the rates continued to that extent; the rates continued as I have read them until 1893. Is that the first change, Miss Rowley?



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MISS ROWLEY: I could not hear what you were saying, where I was sitting. Will you repeat it?

MR. TILLEY: It commenced at \$1.00 and went up to \$2.40?

MISS ROWLEY: Yes.

MR. TILLEY: And that continued until 1893?

MISS ROWLEY: No, there were several changes since that time.

MR. TILLEY: What were they?

MISS ROWLEY: I could not tell them all, but I know one was made in 1897.

MR. TILLEY: I was speaking of 1893? A.—There was a prior change where the rate was changed from \$1.10 to \$1.20.

Q.—That was in 1893? A.—Yes.

MISS ROWLEY: Then they did continue, but I have to trust to memory in this.

MR. TILLEY: The first change in rates would be in 1893, and that continued up to 1900; under 25 years \$1.20; 25 and under 30, \$1.35; 30 and under 35, \$1.50; 35 and under 40, \$1.75; 40 and under 45, \$2.25; 45 and under 50, \$2.75; and in each case an annual fee of \$2 in addition for expenses. Those payments would again be bi-monthly? A.—Yes.

Q.—Six times a year? A.—Yes.

Q.—Then in 1897 during that period this change was made, the rates between 40 and 50 were amended and fixed as follows; 40 and under 43, \$2.25; 43 to 45, \$2.50; 46, \$2.75; 48, \$3.25; 49, \$4.50; 50, \$5, and. I think, in the case of each table the provision was there should be six assessments in each year, but there was a privilege of making three extra assessments, which should be made, I suppose, by the trustees without any meeting of any members of the Society.

MISS ROWLEY: Yes.

MR. TILLEY: And that is the same provision that exists to-day, still six assessments, with three extra ones, if required?

MISS ROWLEY: Yes.

Q.—Now there was a considerable change in the rates in the year 1900. Can you tell me what led up to that change in rates, Mr. Taylor? A.—Well, that is about the time as I mentioned before that I was away from this country. Mr. Fielding will give you that evidence very much better than I can.

Q.—You, of course, would know all about it, even if you were away at that time. Let us have it from you

shortly? A.—I think it was that the rates were considered too low, the death rate was increasing some, and it was thought advisable to get actuarial assistance to find out what change should be made in the rates that then existed, and I believe an actuary or I was rather under the impression that there was more than one, however perhaps there was more than one consulted, but not officially. I think there was only one put in a formal report.

MR. TILLEY: Do you know about any others that made reports, Miss Rowley?

MISS ROWLEY: No.

MR. TILLEY: Or that were consulted?

MISS ROWLEY: Not that I am aware of, Mr. Tilley.

Q.—Then the death rate, you say, was increasing. Due to what, do you know? A.—The death rate increasing, due, I suppose, to natural causes.

Q.—Why should it be increasing?

A.—If our age—

Q.—If the average age was increasing it would increase? A.—Yes.

Q.—If your average age was increasing it was only natural to expect a higher mortality? A.—Yes.

Q.—Your average age was increasing? A.—Yes.

Q.—What was that due to? Put it that way. Why was your average age increasing? A.—I suppose the older the membership remained, that is all we had, we did not get an influx of new members.

Q.—It was brought about by lack of new blood in the organization? A.—Yes, to some extent.

Q.—That would be the main thing, would it not? A.—Yes.

Q.—Tell me why that resulted, not because your rates were too high, it was cheap insurance? A.—Well, at that time we had a secretary, Mr. Bowes. He had charge of the office, and he was expected to look after the bringing in of new business. He could not fill the dual position satisfactorily, and I think on account of the salary to some extent, and to his manner also to some extent, a feeling of animosity sprang up among the members at that time, which was a very bad thing for the Association, hindering men that would have otherwise have become members, from joining.

Q.—That is to say there were some local causes of that kind that rather

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hindered the progress of the society?  
A.—Yes.

Q.—That was only temporary? A.—Yes. However he finally resigned and we changed our mode of management.

Q.—When did you change the mode of management? A.—About 1900 or before. I should think it would be a year or two perhaps, before that.

MISS ROWLEY: September, 1898.

Q.—Was that when you changed the form also?

MISS ROWLEY: No, it was changed a good while before that.

MR. TILLEY: 1888?

MISS ROWLEY: I do not remember just the year, but it was 1885 or 1886.

MR. TILLEY: Was there just the one change in form?

MISS ROWLEY: As far as I know.

MR. TILLEY: And probably you would be able to fix the date some time to-day by reference to some documents?

MISS ROWLEY: I do not know whether I could find it.

MR. TILLEY: At any rate the form of the policy has been changed for some time? A.—Yes.

Q.—What changes were made in 1898 that you speak of with reference to your mode of management? A.—Well, we then engaged an active canvasser for business.

Q.—That is a person occupying the position you mentioned already this morning? A.—Yes, and established our Assistant Secretary as our Secretary.

Q.—You divided the office? A.—Yes.

Q.—Was there anything else you did at that time in the way of re-organization? A.—I do not remember.

Q.—I suppose that that was done for the purpose of getting in a larger membership? A.—Yes.

Q.—And it was something that was done, I suppose, prior to your deciding to raise the rates? A.—Yes.

Q.—I suppose raising the rates was the last resort? A.—Well, the rates were raised, of course, afterwards.

Q.—But so long as new members could be got in fast enough the older members would be protected? A.—Yes.

Q.—That is right, is it not? A.—To that extent.

Q.—Is it not fair to say that if you could have got new members in fast

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enough, that the older members would have been satisfied with the rates they were paying? A.—I would hardly like to go as far as that. I think probably we might have gained new light on that point, and found out we were charging too little.

Q.—How would you have gained new light on that if the new members had been coming in fast enough? What would have caused you to stop and consider that question? A.—Of course we have monthly meetings, and these things are discussed a good deal and the matter of rates is before us, and with a little actuarial experience that we gained from time to time even among ourselves, I think that possibly we might have hesitated—

Q.—About continuing the old rates? A.—Yes.

Q.—That is to say you had the experience of other Friendly Societies, and I suppose that others of them may have been talking of raising their rates about this same time? A.—Oh yes, they have always been talking of doing that.

Q.—And the question of the necessity is always one that is being considered by trustees of a society like yours? A.—Yes.

Q.—We can start with this and all be on common ground; that the rates that you had in existence that I have mentioned up to the end of 1900 were too low? A.—Yes.

Q.—Altogether too low? A.—Yes.

Q.—How long before the rates were raised did you think they were too low? A.—Oh, I could not tell you.

Q.—How long was there any body of members who took the position "we must raise the rates?" A.—I do not think any considerable body of the membership ever took that position. I think it would be, if it did commence, by and through the Board. It was not a palatable thing for the membership.

Q.—Would you agree that if the question of raising the rates was left to the members of any fraternal society as a whole that it would be practically impossible to get them to agree to a raising of the rates? A.—It would be a very serious matter indeed. Of course they had practically to agree.

Q.—Through their deputy, and to confirm what the trustees had done? A.—Yes.

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Q.—But to initiate the thing? A.—No, they would never do anything of the sort.

Q.—In some way it must be put in the hands of a smaller body? A.—Yes.

Q.—Who consider the thing more carefully than members do in Annual Meeting? A.—Yes.

Q.—And then having outlined some plan the membership probably will then support the plan that is outlined and been adopted by the trustees? A.—Yes.

Q.—When it is a perfected arrangement? A.—Yes.

Q.—And probably already carried into effect before they are consulted? A.—Well, it would not be carried into effect before it became part and parcel of the rules.

Q.—Under your rules and regulations the rules cannot be changed without the members being consulted? A.—No.

Q.—So that their approval would have to be obtained? A.—Yes.

Q.—Have you found any serious opposition to a raise in rates within your trustee Board? A.—I do not think so. I think as far as the trustees are concerned that they have generally been willing with regard to any thing that has been moved on by the Annual Meeting.

Q.—When the plan was brought before the Annual Meeting of members was there any opposition of a serious nature to it? A.—Well, there was opposition of course, but it was of such a technical character and commercial travellers are not very well versed to making opposition to a recommendation that is brought before them.

Q.—The subjects that fell to be discussed in connection with it were of such a technical character that the members had to some extent give up and leave it to those who had made a thorough study of it? A.—Oh well, they had confidence in the men that had brought in the report or the recommendation.

Q.—Were you here at the time that report was brought in? A.—No, I was not.

Q.—So what you are saying is what you understand it to be? A.—Yes.

Q.—You were not a party to the making up of this table of rates? A.—No.

Q.—Can you tell me who made up that table? A.—I think it was the actuary in part.

Q.—That is Mr. Pipe? A.—Yes, and I think Mr. Fielding, our present

Secretary, had something to do with it.

Q.—You think probably acting in concert with Mr. Fielding? A.—Yes, and probably there might have been some other compromise in what the rates were as finally adopted; I do not know but I think Mr. Pipe's rate was exactly followed.

Q.—Were Mr. Fielding's ideas exactly followed? A.—No.

Q.—But a happy medium between their ideas and other rates, the Hunter rates and all being taken into consideration? A.—Yes. Our present rates are very nearly what the Hunter rate is, and it was felt that would be as safe as anything we could adopt.

Adjourned to 2 p.m.

#### AFTERNOON SESSION.

Resumed at 2 p.m., July 16th, 1906.

Examination of Mr. Taylor continued:

Q.—Do you remember anything about the report that Dr. Elliott sent in? A.—Yes, I remember that he sent in a report a long time ago.

Q.—Was the report made at the request of your society or was that volunteered by him? A.—No, I think it was a voluntary report.

Dr. Elliott's report referred to marked as Exhibit 381..

WITNESS: That memorandum that is attached I think that has nothing to do with it; that is simply a few criticisms of his report made by the Secretary at the time which I do not think would have any bearing as an exhibit.

Q.—It gives the other point of view? A.—You are perfectly welcome to it if you want it.

Q.—We will deal with this for the present; it is the report made by Dr. Elliott who at the time was the medical referee of the society? A.—Yes.

Q.—And while it is not dated, it was submitted to a meeting held on January 16th, 1897? A.—Yes.

Reads Dr. Elliott's report.

Q.—Then there is a memorandum attached to that and I will read that? A.—That perhaps would be fair if I were to tell you that that writing is the writing of the late Secretary Mr. Lowe. This is in Mr. Lowe's handwriting, and is a criticism of this paper; just a memorandum for the use of the present at that time.



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Q.—It is a memorandum of points that should be brought out in connection with the points raised by the doctor? A.—It is something made out for the President at that time.

Q.—As it summarizes the points I think it well to put it in, unless there is some special reason I should not? A.—Oh no, it is all right to put it in.

Reads memorandum referred attached to exhibit 381.

Q.—Is that the view that was taken by the society at that time? A.—Yes.

Q.—That it was not a thing that was considered necessary, this more rigid examination? A.—Dr. Elliott's memorandum is incorrect in some particulars.

Q.—In regard to what particulars? A.—In regard to incompetent examiners, as our secretary then points out these examiners were appointed mostly by Dr. Elliott, and we have never been subject to incompetent examiners; they have always been recommended to us in some way or other from some source that we had confidence in.

Q.—You have always exercised care? A.—Yes. Dr. Elliott at that time, I think, wanted us to give him a permanent appointment with a fixed salary apart from his fee of \$2 for examination, and that is practically what that report means, that is the sum and substance of what Dr. Elliott was aiming at.

Q.—That would be, one would think, a reasonable thing to expect a society that was taking premiums and guaranteeing to pay money at death—one would rather think that would be a reasonable thing to expect? A.—To have a permanent medical man?

Q.—Yes? A.—You see we did not think so.

Q.—Have you thought so yet? A.—No, we pay for revising examinations from outside sources.

Q.—Tell me, then, just your exact procedure with regard to the medical examination of an applicant's medical examination from the start to the time the policy is issued? A.—An applicant in the city of Toronto. Dr. Allen is now our medical examiner, and he examines the applicant, who pays the doctor his fee.

Q.—I suppose there is a fee that the doctor agreed to accept with you for that service? A.—Yes.

Q.—What fee is paid? A.—\$1.

Q.—For each applicant? A. Yes, if an applicant is from, say, Guelph, Dr. McKinnon of Guelph is our doc-

tor; there are the names of all our examiners; Dr. McKinnon, in Guelph, sends down an examination paper and that is reviewed by Dr. Allen in Toronto in every case; there are no outside examinations passed by the Board excepting they are under review by Dr. Allen; and he is paid a fee of \$1 for reviewing such applications.

Q.—Every applicant at the present time comes before Dr. Allen either in the first instance or by way of review on the work done by some doctor at an outside point? A.—No, not necessarily so.

Q.—I thought you were giving me a history of how the work was carried on, and that would be involved? A.—If there was a question of doubt at all with regard to the acceptance, for instance, Dr. McKinnon classed a member as a second or third class risk, marked probably approved, then the thing under such circumstances as that would be referred to Dr. Allen, and he would be paid for the work so reviewed.

Q.—Dr. Allen is only a referee for you by way of revision of another doctor's work when it is specially referred to him? A.—Yes.

Q.—And it is not specially referred to him unless there is something in the report that causes you to think it would be well to have another doctor's opinion, is that it? A.—Yes.

Q.—Other than that there is no general medical referee? A.—No.

Q.—Is every applicant for insurance examined now? A.—Yes.

Q.—Every one of them? A.—Yes.

Q.—At the rate of \$1 each? A.—Yes; there are some points where the fee is \$2.

Q.—When did you change from having no examination at all in some cases to the present method? A.—I think that we have had an examination in force for 20 odd years, practically all the length of time.

Q.—It would be only for a short time probably when your organization was first started? A.—As a matter of fact I believe we did have a medical examination at the first, but then we waived that for some time, and then took it up again, but only for a short time.

Q.—So that in that way there would be members that would get in without examinations? A.—There might be a few, two or three years or so.

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Q.—Tell me what you yourself think from the experience you have had in connection with your society as to the necessity for thorough medical examination in fairness to all the persons in the society? A.—It is more satisfactory.

Q.—Do you think it is necessary to have a medical examination? A.—Yes.

Q.—And if it is to be a medical examination at all it is a false security unless it is a thorough examination? A.—Yes.

Q.—Do you think that you get the thorough examination that you should have where you pay a medical man \$1 to examine the applicant—do you think that is conducive to thorough examination? A.—Well, we have been satisfied with it.

Q.—Do you think properly satisfied? A.—I think so; I recognize it is not a very heavy fee for a doctor. The class of doctors we have is more important to us than the amount of money they receive, and we consider we have a very good class of examiners.

Q.—That is to say, you think by having good doctors that no matter how small the fee is they will not endanger their reputation by passing lightly over the work? A.—Yes.

JUDGE MAC TAVISH: Is the fee earned whether the applicant is accepted or not? A.—Yes.

MR. TILLEY: Who pays for it if the applicant is refused? A.—The applicant would have to pay; we do not pay the medical fee.

Q.—Can you tell how many rejected applications you have had covering a period of the last five years? A.—No.

Q.—Is there any record kept of it at all? A.—No; well, when I say no, as far as records are concerned—we do not really have records of those, because if a man was not very likely to be accepted by us he would then be allowed to withdraw his application probably.

Q.—Why is it done in that way—so that he will not be treated as refused? A.—Yes, to some extent.

Q.—What difference would it make if he was refused; do you belong to any society that obtains and gives information as to persons who have been refused? A.—No.

Q.—So that there is no obligation; if I applied for insurance in your society and was refused by the medical examiner there would be no obli-

gation on you to report my refusal to any central body? A.—Not at all.

Q.—After I am refused am I allowed to withdraw my application and be treated as a withdrawn application? A.—Simply on the ground of some other doctor and some other company might pass this applicant.

MR. KENT: To give him a chance to go elsewhere when the doctor will examine him for fifty cents? A.—No, I think there is a question in our application form, "Have you been refused by any other insurance company?" It is practically to do away with the necessity of answering Yes to that question.

MR. TILLEY: You would probably not think an applicant was very frank with the Association if he said No, when he had been refused in that manner by another company? A.—I do not know, we are dealing with men of our own class, and we know a great number of them, and there is a sort of written—

Q.—By reason of the fraternal feeling? A.—Yes, that we would not want to do them harm.

Q.—Have you any way of ascertaining the number of applications that have been sent in and the man has paid a deposit to the doctor, and then has withdrawn his application? A.—No.

Q.—Have you any way of being able to give that information, Miss Rowley?

MISS ROWLEY: No, I have no record of that kind because often times I do not know it.

Q.—Probably it might not come before the Secretary at all.

WITNESS: It might not, it might be a matter between the agent and the applicant.

Q.—Cannot we get any idea of how many persons are kept out of your society by reason of the medical examination—cannot you give us any help at all? A.—No, I think not; I do not know.

Q.—Can you tell me how many applications are referred to Dr. Allen, what percentage of the applications? A.—In the year?

Q.—Yes; that go to him by way of appeal or review? A.—In the course of a year we might have twenty refused by Dr. Allen.

Q.—I suppose that every time you send one of those you must pay some thing? A.—Yes.

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Q.—I suppose it is not over a dollar? A.—No, that is the amount.

Q.—Don't you think now that there is great force in the memo that Dr. Elliott sent in as to the advisability of having some persons permanently employed, and then reference could be made to him without an extra charge every time you would refer an application to him? A.—We have not felt the necessity of it.

Q.—And has that question arisen? A.—No, at least it has never seriously been considered. Dr. Elliott suggested it in his memorandum some years ago.

MR. KENT: What length of time would it take a doctor to thoroughly examine an applicant? A.—I think our secretary might be able to answer that question. Some times a doctor examines a candidate in the Board Room of our society.

MISS ROWLEY: I have never timed them; I should think about half an hour or longer.

WITNESS: I should think about half an hour.

MR. KENT: Anyway there is a dollar an hour. A.—Our secretary says half an hour.

MR. KENT: It would be only worth \$1 if it was half an hour.

MR. TILLEY: I will put in now the report made by Sidney H. Pipe, A.I.A. to the Association in 1901. Had the rates been raised prior to this report?

MISS ROWLEY: Yes they were raised in 1900.

Q.—Was there any formal report on which the rates were based?

MISS ROWLEY: They were raised on the recommendation of the secretary at that time, Mr. Scott; I think he made up the schedule.

Q.—If these rates were in vogue when Mr. Pipe made his report I think I had probably better put those in first

—Rates referred to filed as exhibit 382.

Q.—The rates put in force in 1900 were altered for each of the ages? A.—In 1900?

Q.—Yes, being different in that respect from the older rates which covered certain groups of ages in each case? A.—Yes.

Q.—It commences with the age 18, and then gives the bi-monthly rate at \$1.60, and your Honors will remember that the last rate made the first age 25, so that there was a lowering of the age at which the applicant could come into the society, and it ran \$1.60 and up to 25 it became \$2.

Under the previous rate at age 25 it was \$1.20 and under the rate before that it was \$1.10, now it is up to \$2 bi-monthly, that would be \$12 a year. Then at age 45 it was \$2.45 before, now it is \$4; at age 50 it was \$2.75, and was there no age insurance at age 50 under this?

MISS ROWLEY: 49 is the highest for many years.

Q.—You went to 50 before, and you only charged \$2.40 up to age 55; now at age 49 it is \$4.80—that is twice as much and a lower age at six years; so that there was a great change made at that time? A.—You are talking about the present rates?

Q.—Those were bought into force in 1900? A.—Yes.

Q.—There was a great change in 1900? A.—Yes.

Q.—And after those changes were made the Society got Mr. Pipe to report on them? A.—No, these rates were made after the report.

MISS ROWLEY: They were just in force a few months.

MR. TILLEY: And after they were in force he was asked to report on them?

WITNESS: He was asked to report more on the old business I understood. You are talking of the time I was away for a couple of years, so I am not conversant.

Q.—Those are the rates that are in force now, so that by being associated with the society since you know practically about it? A.—Yes.

Q.—There was just a charge of \$2 for management per 1,000, and that payable in January of each year; and then there was an entrance fee of \$2 per thousand? A.—That is the new applicant.

Q.—The first year he would pay \$4? A.—No, \$2.

Q.—And after that \$2 a year? A.—Yes.

Q.—And no risk except over fifty years; then before reading this report of Mr. Pipe's let me ask you this, were those rates bought into force just before the insurance after that date or did they apply to insurance then on the books? A.—They applied to insurance then on the books.

Q.—That is if Mr. Taylor insured in this Society, if he would have paid \$1.20 at age 25 when he entered originally, he would now have to pay, assuming him to have entered at the age 25, \$2? A.—That is right.

Q.—Not taking you in at the age you were in 1900? A.—No.



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Q.—But taking you on at the age you were when you entered the society and at the rate you might have to pay for that age? A.—Yes, if I was 25 at the time of joining I should then have to pay at the commencement of those rates \$2.

Q.—So that they treat you having the insurance prior to that at the rate originally charged without making any levy or lien against you with respect to that? A.—Yes.

Q.—Do you know whether there was any discussion amongst the members of the society as to whether that was fair and proper dealing with members who had been on the books before that date? A.—I may tell you in a general way that at the time of any increase of rates that there would be a general discussion unfavorable to increasing the rates.

Q.—That is members would say we came in on the expectation we would pay \$1.10 or \$1.20, now you are asking us to pay \$2 or \$2.50? A.—Yes.

Q.—Were there any others in the society who said "We are still too liberal with these old members, we have been carrying them along for years at insufficient rates, and they should make up that to the society as if they had been paying always rates upon which the society could live? A.—A very small percentage would talk that way.

Q.—Did any of them do it? A.—Yes, I think so.

Q.—You know, for instance, that the Ancient Order of Foresters when it made this change made a charge against all members then on the books in respect of the insufficiency of their former rates? A.—Yes.

Q.—And then gave them sufficient options as to how that would be applied, giving them credit in all these operations for the share of the reserve the company held, you knew that? A.—Yes, in a general way.

Q.—What was your opinion or what is your opinion now as to the relative merits of these two systems of dealing with old members? A.—My individual opinion is that I should be paying now what my age called for at the time we made this change, but mind you that opinion is not at all general.

Q.—You do not want it to be applied to your particular case? A.—You asked me what my particular opinion is, I have given it to you.

Q.—When the change was made, you having got insufficient rates before, that you should commence paying that

rate for the age you were at the time the change was made? A.—Yes, in fact rather than at the time this change was made I should be paying according to my age at the present time.

Q.—The standard should be made at the age you were in 1900 when the rates were increased? A.—Yes, that I should pay that rate.

Q.—If you were 25 when you joined and 40 when the rates were changed you should pay at the 40? A.—Yes.

Q.—If you continued paying at the original age of 25 don't you think the society should have been afforded some means of compelling members if they wanted to continue the full insurance to make up the difference between the old rates they had paid and the new rates the company thought was proper? A.—Yes, I think; that is my private opinion.

Q.—That is to say if they did not want to increase their annual payment they should diminish the insurance? A.—Diminish the interest they had in the society.

Q.—I suppose it was because of that discussion that Mr. Pipe would be consulted—Miss Rowley says it was afterwards—and while of course you were not there that is the only thing that you could suggest now would be the occasion for consulting him? A.—I should expect the consultation would be on account of knowing what liability we were against.

Q.—And from reading his report I think that was the case? A.—Yes.

—Report of Mr. Pipe's marked as exhibit 383.

Q.—(Reads exhibit 383.)

WITNESS: I understand Mr. Pipe's rates were not quite the rates that are in existence.

Q.—Apparently they are not quite uniform? A.—No.

Q.—They commence at \$1.70 for age 21 and run up to \$5 for age 49? A.—Yes.

Q.—And there is not a great difference there between them? A.—No.

Q.—Mr. Pipe so far recognizes the necessity that he says finally if you cannot arrange it in either one of two ways he has mentioned to bring the old members up to the right standard, then you should keep two distinct classes and let the new members pay into one fund and the old members pay into another fund? A.—Yes.

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Q.—That would soon make very expensive insurance for the old members? A.—Yes.

Q.—That would not be a thing that any of them would favor? A.—No.

Q.—Under the thought that is being carried out these new members are paying to carry the old members, are they not, to some extent? A.—To some extent, I think so.

Q.—It must be so? A.—Yes.

—Mr. Tilley reads schedule attached to exhibit 383.

Q.—Then he makes a further report (reads)—made part of exhibit 383. Apparently this table that he proposes here would be a schedule for new lives carefully selected and he thinks that may be a lower schedule than any schedule you could apply to those old members because they had not been specially selected? A.—Yes, I presume that is what he means.

Q.—So nothing is said there about the Hunter tables, do you know what is meant by the Hunter tables? A.—Mr. Hunter of the Ontario Government.

Q.—And they are embodied in the Ontario Insurance Act? A.—I believe so.

Q.—The Ontario Insurance Act sets out the rates which you call Hunter rates in a schedule to chapter 203, and the schedule is lettered A, and then it provides in section 6, subsection 6: "Friendly societies may be admitted, but not unless," etc. (Reads to the words "expense of management"). So that the Hunter rates are rates that are contained in the Ontario Insurance Act as the minimum rates which a society such as yours can charge and obtain a license under the Ontario Act, is that right? A.—Yes.

Q.—And besides those rates the company must collect from its members whatever the company requires for the purposes of expenses? A.—I think that is the idea.

Q.—Now, then, I suppose if that is the case it may be assumed that those rates are such as are regarded as the minimum rates that can be charged for solvency? A.—Yes.

Q.—And for that reason it is important to have regard to those rates when considering your own, and I think you had regard to them when you were dealing with your own—I think the Hunter rates were considered along with the National Fraternal Congress 4 per cent. rates? A.—I think so.

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Q.—What do you understand that to mean the National Fraternal Congress 4 per cent. rate—whose rates are those? A.—I don't know.

Q.—I will put in a table showing the rates now charged by this society and in the corresponding column the Hunter rates, and in another column the rates of the National Fraternal Congress at 4 per cent.? A.—Very well.

—Comparative table of rates filed as exhibit 384.

—Mr. Tilley reads comparative table of rates.

Q.—So that the rates charged by your society are less than either the Hunter rates or the National Fraternal Congress rates? A.—I think very little less.

Q.—And these other rates are rates that are based upon the fact that members coming in would pay these rates and not have a lot of old members who have been contributing at a less rate? A.—I should expect so.

Q.—In that respect your society is in a different position from the societies that would come under these Hunter rates? A.—Yes.

Q.—Then besides that feature, besides the fact that your society has all these old members that have not been contributing on that basis and building up a reserve fund, on those rates, apparently Mr. Pipe reports that your death rate is higher than he expected, having regard to a fair consideration of other tables, what do you think about that, do you agree with Mr. Pipe; have you had any other opinion than his upon that point? A.—As far as our death rate is concerned?

Q.—Yes? A.—No, I do not think we had any actuarial advice up to that time, and along that line, none since.

Q.—You have had, however, one other actuarial report? A.—Yes.

Q.—And that is the report from W. C. Macdonald, dated August 18th, 1905? A.—Yes.

—Report of W. C. Macdonald marked as exhibit 385.

MR. FIELDING: This man was asked a question as to whether it was advisable to raise our risks from one thousand to two thousand dollars; all this other stuff there was never asked and it has no business to go in in opposition to our company, because he was never asked those questions. Further on he asked for some other information which was never furnish-

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ed him, and his only request was to know whether it was wise to insure men for \$2,000 or \$1,000, and his report has no bearing whatever on our society.

MR. TILLEY: Is there any objection from you, Mr. Taylor? A.—No.

MR. FIELDING: This matter was never before our Board of Directors and we have never recognized it, and it has no right to come before this Commission.

MR. TILLEY: Would you let me ask you this, from your knowledge and experience in connection with the society do you follow and adopt the report of Colonel Macdonald for yourself, do you think it about hits the nail on the head? A.—As far as Colonel Macdonald's report is concerned I would not like to say it did meet with my approval entirely.

Q.—In what respect? A.—I think in adopting the Hm. tables he is adopting a higher rate than the Hunter rate and a higher rate than is necessary.

Q.—That is in taking the Hm. table you think probably there is a saving on mortality there that he does not allow you for? A.—Yes.

Q.—And as you pay all your expenses out of another fund you do not need saving in mortality for expenses? A.—As a matter of fact in our Association, the Commercial Travellers' Association, which is composed of between seven and eight thousand, our experience has been that our death rate in the length of time it has been in existence, 20 odd years is about one-third less than that.

Q.—That is about 66 2/3 of the expected mortality? A.—So that I should have to have a good deal more light on the matter before saying I endorsed Colonel Macdonald's report.

Q.—That is to the extent of adopting the Hm. 4 per cent. tables for your society? A.—Yes.

Q.—I suppose it almost follows from what you say that you would go part way with me, that there ought to be higher rates for your society? A.—Of course I am one of about 2,000, and I think the majority at the present time of our members would be very much averse to having any increase.

Q.—I am not asking the majority of the 2,000? A.—I am supposed to represent them at present.

Q.—Yes, but you are supposed to be doing the thinking for the Association, you are the President, you are

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shaping its policy? A.—To some extent; to some extent I will agree with Colonel Macdonald, that there are weak points.

Q.—I do not know that it is necessary to press that part of the thing further, but on a summary of what we have seen that would seem to be a fair conclusion, that there probably might be some strengthening by higher rates? A.—Either higher rates or re-arranging the old membership.

Q.—As a matter of fact I would gather from what you say you feel now at any rate that it is a mistake to have made the change without making a complete change? A.—Yes.

Q.—And that a change more in the order of that change that the Ancient Order of Foresters made, while it might prove troublesome to carry through at the time, would be in the long run beneficial? A.—Yes.

MR. TILLEY: I will put in as an exhibit a statement prepared by Miss Rowley as to the lapses covering the period from 1890 down to the end of the year 1905. There is a little variation in the year 1904 as between the printed report in the blue book and this report, but that is due to some re-adjustment of a particular plan of insurance made by Mr. Blackadar when he made his inspection, which involved the sum of \$500; so that this will do for an understanding of the amount of their lapses.

—Statement of lapses filed as exhibit 386.

Q.—This shows a great variation in the number of members lapsing and the amount of insurance, running from 42, being the smallest number in 1894, and the greatest number being 349, in 1902—do you know how that was, that there was that lapse in 1902?

MISS ROWLEY: The change of rate and the special assessments.

Q.—How many special assessments were made?

MISS ROWLEY: Four altogether.

Q.—Can you give me a memorandum of the special assessments?

MISS ROWLEY: Two in the end of 1901 and two in the early part of 1902.

Q.—Then your assessments have just been bi-monthly assessments since the formation of the society?

MISS ROWLEY: That is all I know of.

Q.—There were lapsing in 1900 157 amounting to \$157,000; in 1901, 146,



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amounting to \$313,000; in 1902, 439, amounting to \$541,000; you say that would be due to the extra assessments and change in rates?

MISS ROWLEY: And a good many of them dropped the \$2,000.

Q.—Since Colonel Macdonald's report was made to the society has any change been made consequent upon it? A.—Yes, we are not taking any risks for more than \$1,000.

Q.—You adopted his suggestion not to double the amount? A.—Yes, that is all we have done up to the present time.

Q.—Has there been any suggestion as to increasing the rates? A.—That matter of Colonel Macdonald's we are not through with it by any means.

Q.—That is not disposed of? A.—No.

Q.—I suppose that an examination just at the present time will be very helpful in getting members to come to the higher standard, and it will not be an unmixed evil? A.—If the Government would help us out in the matter we would be very thankful.

Q.—Would you just say to the Commission in what way you think you could be helped out in the matter, what would be helpful to a society such as ours? A.—My own opinion is that the rates should be changed as the age implies, at the date that these rates were changed; we should pay according to our then age.

Q.—You should come in as new members at that time? A.—Yes, and pay at our then age. That is my own opinion; this is not the current opinion at all.

Q.—I think that has been explained, you are not talking for the majority?

A.—It would meet with anything but approval as far as the commercial travellers are concerned, and in fact it may not be the opinion of some of the members of our Board. You have asked me for my opinion and I am simply giving you my opinion about it, that that would make our affairs stable and from that standpoint more satisfactory.

Q.—Do you think that the idea of the Ontario Act, where it prescribes certain rates which must be the minimum, do you think that good or bad legislation? A.—I think it would be good.

Q.—It would be something that would be a minimum premium? A.—Yes.

Q.—I suppose it is fair to say this that if inadequate premiums are charged they may be grossly inadequate, but the fraternal society may

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go on for many years if it is getting in sufficient new members and never come to grief? A.—I do not know about that.

Q.—It it gets in the new members fast enough? A.—Yes, I think if they were to get in the new members fast enough.

Q.—The new members are paying out the old? A.—Yes.

Q.—And the trouble comes from not anticipating what will happen when there is a shortage of new members? A.—Yes.

Q.—You have experienced that shortage to some extent? A.—Yes.

Q.—And you are experiencing it yet? A.—Yes.

Q.—You are trying still? A.—We are simply just getting over our last trouble, and it is a matter of policy on our part to not awaken any feelings among the membership that there would be anything like increased rates. I do not think it is necessary to increase our rates, I think our rates are quite adequate as far as the new members are concerned.

Q.—You agree with what Colonel Macdonald says that whatever difficulty there may be is not so much from the insufficiency of the rates, although they might well be higher, as from the fact that the old members are to some extent being carried along by the new members? A.—Yes, that is the point exactly.

Q.—They are too much of a drag? A.—Yes.

Q.—But even with all that, by comparison with the other rates we have put in they would seem to be the minimum at any rate that can be used for safety? A.—I think so.

Q.—And probably a little under the minimum for safety, don't you think they should be higher even without new members? A.—We have in our society a gentleman who has made a good deal of study of insurance matters, and I think he probably when you have him under examination will satisfy you that our rates are sufficient.

Q.—Then that is because you think I am easier satisfied than you would be; probably you have had to talk it out some time? A.—I do not think there is much fault to be found with our rates, successfully, I think the rates are fairly right.

Q.—Your lapse rate caused by the rearrangement was about what?

MISS ROWLEY: I could not tell you, I never made up the percentage; I simply took the gross amount.

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Q.—I am told about 25 to 30, did you ever consider that Mr. Fielding?

MR. FIELDING: A.—I have looked into that some; I suppose I will have to answer those questions in the box by and by, and probably I had better answer them there.

Q.—I have compiled here a statement showing all the income that you have received from 1891 down to 1905, inclusive, you cannot check that here can you, but it comes out in agreement with your own returns, showing that you received from members for fees \$4,352, and for annual dues \$53,546, and on account of your medical examiner's fees \$2,310, or a total of fees and dues \$60,208. You have received as assessment from your members \$358,538.29, so that the total paid in by your members is \$418,746.29, so that you have got for interest \$22,362.65, making your gross income from 1891 to 1905 \$44,108.94. Then your expenditures have been: death claims \$348,435, your taxes \$1,479.16; commissions, salaries, medical examination fees \$36,111.11; miscellaneous payments \$22,318.61; total expenditure \$400,343.88; that is your income over your expenditure in the 15 years amounted to \$40,765.06; your assets on the 31st December, 1905, were \$58,796.89; your liabilities \$4,538.35; so that your excess of assets over liabilities were \$54,258.54; but of course that did not take into account anything by way of reserve on your policies; because you would not compute that as a liability? A.—No.

Q.—Your business in force on the 31st December, 1905, was 1,878 certificates amounting to \$1,876,000; you received during the 15 years according to that schedule \$358,538.29, and you paid for your death claims \$340,435; so that your excess payments by way of assessment by your members and your death claims was \$18,103.29; that would be a fund which you might properly call Reserve, if you were carrying a reserve fund? A.—Yes.

Q.—It is provided that you shall not take any moneys from assessments that are paid in by members and use them for expenses? A.—Yes.

Q.—Have you ever come dangerously near that? A.—I think perhaps so, I think it was done in ignorance, when we took some of the interest.

Q.—You took the interest of your investments, and what did you do with it—credit it? A.—Well, we on-

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ly had at that time one account, now we have two. The interest account and the general account was the same, and utilized for an expense account. As soon as we found out we altered it and now we have the two accounts.

Q.—I think that ran from 1890 down to 1900, your interest was credited to your expense account? A.—I think so.

Q.—So that it could be used for expense purposes? A.—Yes.

Q.—But from 1901 you have credited your interest on investments to your mortuary fund? A.—Yes.

Q.—During the time you were crediting that to expense account did you make any transfers to the mortuary fund which would tend to offset that? A.—Yes, there were some transfers.

Q.—Out of expense? A.—Putting it into the mortuary fund.

Q.—By the way I have the special assessments that were made, are those the ones you were referring to, Miss Rowley? (Miss Rowley speaks to Mr. Tilley.)

MR. TILLEY: Miss Rowley says besides the special assessments that were referred to there was the reserve assessment made in 1900 and again in 1901 of 50 cents a member, the first assessment resulting in \$1,325, and the second one \$1,296.50; and I suppose these assessments were made for the purpose of adding to the reserve for the purpose of paying death claims when needed?

MISS ROWLEY: A.—Yes.

Q.—And then when the rates and so on were changed you did away with that special mode of raising funds?

MISS ROWLEY: Yes.

Q.—It was under a By-law that was in existence for a certain time?

MISS ROWLEY: A.—Yes.

Q.—Have you told us of every occasion when there has been any mixing of the expense funds and mortuary funds?

WITNESS: I don't know of any other.

Q.—The \$200 per annum is what pays for the expense? A.—Yes.

Q.—Apparently you have received for fees during the 15 years, 1891 to 1905, \$60,208, and your expenses otherwise than for death claims, \$59,908.88; so that it came very near the full amount you had to spend? A.—Yes.



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Q.—In fact, by looking through the salaries, I think the salaries are governed by what margin you have for that purpose? A.—We find ourselves a little hampered as far as expense account is concerned now.

Q.—And I suppose the person who gets the salary has to stand that. Your assets over liabilities at the end of the year was \$54,258.54, that represents I suppose the moneys you have on hand, that would be available to appropriate to reserve if you were required to keep the reserve? A.—Yes.

Q.—And I suppose it will not be a hardship for a society such as yours to have to jump at once into a full reserve of any kind? A.—You mean a reserve such as we should have?

Q.—Yes? A.—It would be a difficult question.

Q.—It would be a difficult question; the only way in which you could put your reserve right would be as it were to have timely notice of progressive steps towards that end? A.—Yes.

Q.—To what extent are the members of your society entitled at times to go and get any information they may desire from the books of your society? A.—They can get any information at all times at the office.

Q.—Can they get access to any of the books they want to see? A.—At the office, yes.

Q.—Has that right ever been questioned? A.—It has been questioned in a fashion, that point has been raised when copies have been wanted to be made of our membership, which we of course could not permit.

Q.—That is what I have a recollection of, some person coming into the office and asking for the privilege of making a list of your members? A.—We would not permit that.

Q.—Why not? A.—We have never allowed it to be done.

Q.—Why not? A.—Well, it would be a very great nuisance to us in very many ways, for instance some patent medicine concern might have a member belonging to us.

Q.—Never think of that with a commercial traveller? A.—They would come and want to make a list of our members.

Q.—That is not the real reason? A.—And also with regard to election purposes for the sake of canvassing members for votes.

Q.—The party in power I suppose has the opportunity to prevent the party out of power from getting information to change the party in

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power and bring in the party out of power? A.—I do not agree with you at all in our election. Every member has a ballot.

Q.—Why don't you allow a man to have a list of the persons who are entitled to vote so that they can get the proper canvass? A.—A list might be abused.

Q.—In what way? A.—A man might be voted for, for instance, who was out of the country.

Q.—Under your rules they must be nominated ahead of time? A.—I mean a member might vote if he had a list of members.

Q.—There might be some bogus votes come in? A.—He might vote for absentees.

Q.—You take votes by mail, do you not? A.—Yes.

Q.—Tell us how it works in your experience to have, what you might call, policyholders voting by mail? A.—It has answered very well as far as we are concerned. The mail comes to the care of the scrutineers.

Q.—You appoint outside persons scrutineers generally, your auditors, or one of your auditors? A.—Yes, that is the usual way.

Q.—Then the ballot papers are sent to all the members by mail? A.—Yes.

Q.—And they come back to the scrutineers by mail? A.—Yes.

Q.—And you find that works very well? A.—Yes.

Q.—Do you think if a full list of members in good standing was furnished by some means, some of them would vote? A.—I do not see any necessity for it, we have never found a necessity for giving out these lists excepting by an occasional crank, and they are very rare.

Q.—They would be persons outside the association? A.—They would be very rare who would put themselves to the trouble of getting these lists. Take the general membership, they do not want these lists, and we do not want to be bothered allowing them to get them.

Q.—Would it affect the efficacy of the system of voting if the lists were sent out, do you think? A.—A list of members?

Q.—Yes? A.—I cannot see any purpose in it, because every member receives a ballot and has a vote.

Q.—You think you get his independent view on who should be elected better by not letting one another know who is voting? A.—I think so.



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Q.—And you say that other than in the respect of going in to get the names of the voters, no member is refused access and opportunity to investigate the books and know how the society stands? A.—Any member is as much at liberty as I am in that respect, and he can get any information he is entitled to.

Q.—Has that been so since you have been Secretary, Miss Rowley?

MISS ROWLEY: In what way?

Q.—That any member is entitled to come into the office and ascertain everything he desires to know from the books and papers and records of the society?

MISS ROWLEY: Yes, sir, I have never refused to answer any legitimate questions, and I have never had anybody dissatisfied since I have been secretary.

Q.—The experience of assessment societies has not been very good on the general average?

WITNESS: I don't know.

Q.—Most of them fail to succeed for very many years? A.—I think there have been failures in Mutual Benefit societies.

Q.—Can you tell me what percentage of those that operated? A.—No.

Q.—Have you no statistics of that? A.—No.

Q.—I should bring it out. I think that the officers of the society are not extravagantly remunerated? A.—I do not think so; we have no paid officers excepting the ones I have mentioned.

Q.—You have no paid officers except your Secretary, Assistant Secretary, and your Canvasser that you have told us about? A.—That is all.

MR. TILLEY: I think we have got all the facts relating to this Society that we require. Mr. Fielding is here and if there is any statement he desires to make I think possibly it might be as well to give him the opportunity of saying anything if he desires to.

EDWARD FIELDING, sworn.

JUDGE MacTAVISH: Have you anything in addition to what Mr. Taylor has given us; if so we would be glad to hear it? A.—I have this in addition, sir, I think, when changing our rates as to the reasons why we changed those rates, and as to the discussion at the time, and as to whether those rates are satisfactory or not, these are items I believe we ought to discuss. I may say to you that I have taken a great deal of pains in regard

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to this matter; I began discussing this when they first began talking about changing rates.

MR. TILLEY: Are you an officer now of the society? A.—I am treasurer of the Mutual Benefit Society.

Q.—At the present time? A.—Yes.

Q.—And I believe you have given some thought to actuarial matters to some extent? A.—I have worked a good deal on it, I was going to say both day and night.

Q.—What was it you wanted to say?

A.—The reasons perhaps why I did so was I met the actuaries in discussion in regard to the death rate of the members of this society, and the Commercial Travellers' Society, and in meeting them I had to study the subject to a very considerable extent, and when we were discussing the rates it was said that a young man called Mr. Pipe—I believe he was a young man from some society or some office in London, England—who came out here to advise the Independent Order of Foresters for certain purposes; he may have been an actuary, I don't know anything about it—

MR. TILLEY: If you will criticise the facts instead of the man? A.—I must criticise the facts and also the position of the gentleman, because he has been put forward here today, his statements in regard to our society, and I am not sure that Mr. Pipe was an eligible witness. I don't know about that, consequently I am not prepared to say. When we were discussing the matter of those rates as to what should be done and the rates that should be adopted I secured a statement made by Mr. Blackadar and also statements before the Fraternal Organizations in Baltimore of the United States, when all the organizations were represented, and when they showed their death rates for a number of years; and then I began to investigate as to the Healthy Male Table of Great Britain, which is relied upon to show that our societies are not receiving the proper amount of money. I claim in regard to the Hm. table of Great Britain that it is a defunct proposition. I believe it was made up in the year 1863, and at that time considered the death rate for 130 years back of that; consequently I say that the persons who lived and died 130 years back of 1863 were persons who did not have the advantage of what we have been told today is the wonderful service in the way of medical attendance. These persons at that time

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no doubt had a certain amount of medical service, for instance if a man was ill with inflammation—

JUDGE MAC TAVISH: It showed a death rate higher than now? A.—Yes; if a man was ill with inflammation they would bleed him—

JUDGE MAC TAVISH: Yes, but we are not here to study medicine.

MR. TILLEY: I cannot cross-examine on that either.

WITNESS: There is the experience of the Canada Life as compared with the Hm. table, and it shows a very much larger number of persons lived than would have under the Hm. table; so I say the Hm. table of Great Britain is effete or ought to be an effete table to be discussed. I find sir, that in the last year of the United States, the experience of 23 of the insurance companies in the United States, their mortality instead of reaching expectancy only reached 76% of their expectancy. I find the other day our Manufacturers' Life stated that their experience was only 74% in regard to their ordinary table, and for total abstainers it was only 43%. I find it stated in this morning's Globe that one of the Canadian life insurance companies, the Mutual Life of Canada, had only an experience last year of 49% of their expectancy of death rate. Consequently I say that when we figure our tables on the Hm. tables of Great Britain we must get from them a very much larger figure than is really necessary to carry those lives.

Q.—What have you to say about the rates adopted by the Commercial Travellers, in view of this information and experience that you have got?

JUDGE MAC TAVISH: You obtained a large amount of information and you sifted it yourself? A.—I sifted it for myself personally and prepared rates.

Q.—And this is the result of your work? A.—Yes.

Q.—What we have before us now? A.—Yes, what you have before you is what I prepared. That is what I proposed at the Annual Meeting when the matter was under discussion, and I have studied this matter in order to make myself posted on it, and I wish to defend the present standing of the Commercial Travellers' Benefit Society before this Commission as far as possible that you may have a fair and right conception of what are our present conditions.

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MR. TILLEY—You say those rates in your opinion are proper? A.—Equitable.

JUDGE MAC TAVISH: Are they safe? A.—Well now, I was trying to show you the reason why I believed they were safe.

Q.—You believe they are safe? A.—Certainly, yes, I would not be Treasurer of the Commercial Travellers' Mutual Benefit Society and send out my printed statements, as I sent them out here, of which I gave you a copy, if I did not believe they were safe. Here is a statement I sent out. Here is how I found out they were safe. I take a gentleman of 27 years who joins the Association, and his expectancy according to the Canada Life and according to those societies in the United States that met in Baltimore, I believe that he should have an expectancy of 40 years. I figured that at 4 per cent., and I want to show that it is realizing us a little more than 4 per cent., and I find at the end of the expectancy we will have in hand \$1,244.88, and I believe that makes a safe thing. Now, I find that we have—for instance I am examining another thing; I say there are a large number of organizations of this character who have a certain amount of assets unreported and there are only four of them reported in the returns to the Dominion Government. The Catholic Mutual Benefit Association have 9.33 per 1,000 of insurance they carry; we have 31.34; the Independent Order of Foresters have 37.89. The Woodmen of the World, the other one reported there has 16.07, but there are 17 societies doing business of that character in this Province. Their average is 15.14. According to that I believe that when we have more than double the amount they have—that is, the average of them—we ought to consider ourselves pretty fairly safe. I find the income for the Catholic Mutual Benefit Society—

MR. TILLEY: We have not examined that, and you must not go too much into that sort of thing because we must examine them first. A.—I assume these gentlemen are here for information, and I wish to give them such information as will guide them in reporting to the Dominion Government.

JUDGE MAC TAVISH: But as to the C.M.B.A. I think we will get the information from them.

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MR. TILLEY: They will be here to-morrow. We cannot investigate them as part of your investigation. A.—I am only making comparisons between our society and an average of the other societies.

Q.—I do not question your object. A.—And we have an income per thousand—for instance, the C.M.B.A. have \$13.50; we have \$19.39 income every year for every dollar insured. The Independent Order of Foresters has \$31; the Woodmen of the World, \$11.75; and I examined these to guide me in advising the Commercial Travellers' Association, because I consider myself responsible to them. As far as I can give my judgment I believe I am right, and one reason why I object to being bound by the actuaries of the other society is this: You gentlemen would not advise Sir Wilfrid Laurier to go and ask Mr. Foster's advice as to what he thought of Mr. Fielding, the Finance Minister. The actuaries who are paid by the companies to show they are not receiving any too much money are paid to show our company is not safe, and consequently they are not the persons to be brought into this court to judge of the conduct of this society, and I say as to Mr. Macdonald's report—you will find we are not asking Mr. Macdonald for anything of that kind, and consequently his report has no business to come into this Court to condemn our organization.

MR. KENT: Are you in a position to say out of one hundred assessment companies how many live for thirty years? A.—I know nothing of that.

Q.—I would be glad if you could get a statement of that kind. A.—I find all the regular insurance companies who issue policies, twenty-two companies, that 72½ per cent. of the money they collect is paid out in expenses.

JUDGE MAC TAVISH: I thoroughly sympathize with you. Some time ago you spoke of Mr. Macdonald's report as not being an answer to the question. Would you be kind enough to practice what you preach and confine yourself a little more to the subject matter. A.—If the examining counsel does not ask such questions as bring out things that I believe are such answers as you gentlemen are looking for, I must give them to you.

MR. TILLEY: That is what Mr. Macdonald thought, too. A.—But

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these gentlemen are here for that purpose.

Q.—Have you said everything you want to say about rates? A.—No, I want to say a good deal more about them.

Q.—You think the rates are quite high enough?

JUDGE MAC TAVISH: Yes, he has said so.

A.—In order to show you why I think so, another reason is that I have taken the age of every member of the Commercial Travellers' Mutual Benefit Society; for instance, we have four members who are under 20 years of age. I have taken their mortality, their probable mortality, and I have taken that down which I can show you here, for every member of the organization. I tell our Board of Directors then how much money we are going to have to provide this year to pay our death rate, and if I do not think we are getting sufficient and having something to add to the reserve, I would either resign from my position as Treasurer of the Association, or I would tell somebody what I think of it.

MR. TILLEY: In connection with that table what provision did you make for the old members who had been paying on a different basis? A.—One provision I make is this: I pay \$1.75 for every member who dies and his family only get \$1.00 of that money, and my wife, if I had died, would only have got \$300 or \$400, but I was paying \$1.75, and during that time a surplus was accumulating, and I find that the other insurance companies pay out, not only all the income they have, but some out of their surplus; they pay out to get new business; we were working the first three or four years or perhaps 10 years in order to get new business. There is no doubt about that, and when I, as an individual, had to pay up my share of that new business, I was entitled to be continued at the same age that I went in, because I had helped to build up this organization.

Q.—You say the surplus monies you had in the Society at that time was the provision for the old members, and for the— A.—And for the men that I had paid for, that had died, certainly.

MR. TILLEY: I think that is all I care to ask you about.



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WITNESS: I was going to give you some comparisons, but if you do not wish for them, all right.

JUDGE MAC TAVISH: On what lines? A.—I was going to compare some other regular insurance companies with what we are doing in some respects.

Q.—In what respects? A.—Here is one that I cut out of a newspaper this morning, put in by Mr. Orr of the *Ætna Life*, in which he goes on to show how much his expense account is per \$100, and our expense account is not very much less.

Q.—I think we would be glad to hear what you wish to say about that and then we can compare it ourselves with the other companies? A.—Our average expense account, according to the amount we pay for death claims during the year is 14½ per cent. In the case of the twenty-two companies which are reported in the *Blue book* it is 72½ per cent. Now I say we are maintaining our organization with an amount of cost—for instance there is no one getting any salary at all, neither the Treasurer, nor the Board of Directors, none of them drawing any salary whatever. We give all service gratis, and we are providing for those—so far we have provided for those who have died. I might say to you that when our rates were changed it was caused a good deal by friction as to who should be elected on the Board, or how they should conduct themselves, and because these men went and sought for an actuary and then they got rattled and did not know what they were doing themselves and a great deal of dissatisfaction occurred, and a great many lapses occurred. I could give you the lapses that occurred.

MR. TILLEY: I have the table of that. Were you in favor of the change in 1900 to the higher rates? A.—There are my figures.

Q.—But you were in favor of making a higher rate? A.—Yes.

Q.—What about the medical examination? What were you going to say? A.—I am also Treasurer of the Commercial Travellers Association?

Q.—Does it give any insurance? A.—They are organized for the purpose of securing railway advantages, but we have a certain amount of insurance with the surplus money, and as I got into a discussion with the actuary in regard to that matter, and in regard to our medical examination and so forth, I, of course, had to post myself

on that, and I have taken the trouble to find out how many men died who had been only one year a member, or who had only been two years, and so on and how many lapses, but that I have no right to go into because it belongs to another society, but I have this to say, for those who came into this Association without a medical examination, they are either the best of lives in this country and are still living, or they are dead. Now, I want to say for that medical examination I can show here that one man passed the medical examination, they said he was a first class man, and he died of heart disease in three months after passing the medical examination; and I could give you a great many other evidences, if it were necessary in regard to medical examination and medical experience. I could give you—the experience of a lady who was examined because she wished to get an annuity, and one of the best medical men in the city said “She cannot live a year; if you take her money you will only rob her”; but she was so persistent that they took her money, and three years after that she walked into the office and surprised the manager by coming to take the money, and she is collecting it yet. The medical examination is all right enough after the man is dead, but before that they do not know anything about it.

Q.—In what way do you grant insurance in connection with the other Association? A.—We pay them according to the number of years they have been in.

Q.—Paying their beneficiaries at death? A.—Yes.

Q.—Under what Statutes are you carrying on that business? A.—Under the Dominion Act.

Q.—Do you make returns to the Government regarding it? A.—No.

Q.—Have you any license under Dominion Government? A.—No.

Q.—How can you carry on the business under the Dominion Act without a license? A.—We are not supposed to be an insurance company. We are not. We are an organization, organized for the purpose of selling railway advantages, and that is what we receive our money for and that is what we sell, but incidentally, if we have any money left, we divide it amongst those who belong to the society according to the number of years they have been in when they die. We are a charitable kind of institution.

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Q.—Do you give them any certificate that entitles them to the money?  
A.—I am not Secretary.

Q.—Can you answer that question?  
A.—No, we only give them a certificate for railway privileges. That is all. I think I have a certificate in my pocket.

Q.—Is Miss Rowley the Secretary of that Association? A.—No, she has nothing at all to do with that.

Q.—Is that what Mr. Sergeant is connected with? A.—You will understand, gentlemen, that when the Mutual Benefit Society was organized it was because the other Society was not granting sufficient insurance, or not granting insurance, and we thought it would be wise then to organize a mutual benefit society for insurance purposes, and it was organized under Act for benevolent societies, and we only take commercial travellers, and as commercial travellers must be strong characters, they must be that, we found it was perfectly safe to take these men—any who could travel—without any medical examination. That is the reason why we took them in at first without the medical examination, and we have found up to the present time that it has worked well notwithstanding any statements that may be made by the medical faculty to the opposition.

JUDGE MAC TAVISH: That has been your experience? A.—Yes. This certificate entitles us to travel for 24 cents a mile.

MR. KENT: How long would this company last supposing there were no new members joined it? A.—I do not know sir. We do not propose to stay that way. We propose to get in new men.

Q.—Supposing they do not come in? A.—But they do, and they will come in, and we will get more. As soon as they find out we are only charging them the amount it costs to carry their lives we expect to double and treble our membership.

JUDGE MAC TAVISH: By reason of this investigation? A.—Possibly, if we get a fair show, but if the reporters are going to report some of the statements made here today that the old members are being carried by the new, and that is going to be carried to the Government, I don't know what that is going to do.

MR. KENT: But we may report that you are going to be three times better than you were and that might counterbalance matters.

WITNESS: Yes, we are going to be better. We give insurance at actual cost. I might say when I was on the Board a few years ago the first thing I fought was against any interest money being taken from the surplus of the company and being used for general expenses, and some persons who were disposed to pay the secretary more money than I thought he was worth, canvassed and did their best and defeated me, and paid the man a great deal more money than he was worth, and by and by they found out he was getting too much and let him go. We recognize that we cannot run our society and pay the salaries the other companies do, but we recognize this fact, that according to the plan we are conducting ourselves on we have a safe return. We have had a good many lapses, of course, and these men that have lapsed have left their money with us and others will lapse and leave their money with us, and they make up the surplus, and make up for the men who stay in who twenty-five years ago, did not pay up quite enough.

Commission adjourned till 10 a.m. on Tuesday, 17th July, 1906.

## FIFTY-SEVENTH DAY.

### MORNING SESSION.

Toronto, Tuesday, July 17, 1906.

## CATHOLIC MUTUAL BENEFIT ASSOCIATION OF CANADA.

—F. R. Latchford, K.C., appeared for the Company.

MICHAEL FELIX HACKETT, sworn, examined by

MR. TILLEY: Q.—What position do you hold in the Catholic Mutual Benefit Association? A.—I am what they designate in the Order as the Grand President or the head of the Association.

Q.—That is of the Canadian Association? A.—Yes.

Q.—There is a similar Association in the United States? A.—There is, of which we formed a part till the year 1892.

Q.—There is a brief history of the Order in the United States before your incorporation here and also some information regarding your incorporation here at page 155 of the minutes



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of the Thirteenth Convention? A.—Yes.

Q.—How often does your convention meet? A.—At the present time every three years, formerly it was every two

Q.—And at each meeting do you select a place at which to meet for the next convention? A.—Yes

Q.—So that the Thirteenth Convention was held in Toronto on August 24th to 27th, 1904? A.—Yes.

Q.—And according to your constitution and your practice there will be no other meeting of the Association until the year 1907? A.—As an Association. We have the trustees of the Association who in vacation, that is between the conventions, have the authority of the convention.

Q.—They have full authority of a Convention? A.—Yes.

—Mr. Tilley puts in the financial statement in the minutes and proceedings of the 13th Convention—marked as exhibit 387.

Q.—What prompted you to become incorporated in Canada as a distinct organization from the American Association? A.—At the time, in 1892 or thereabouts, our Association was becoming quite numerous in Canada, and those who were foremost in the institution thought—that is foremost in Canada—thought it would be wiser and better if we were an insurance association to have the control of our funds or the money we paid in for that purpose on Canadian soil, and under the control of the Canadian Government.

Q.—To make it entirely Canadian? A.—Yes.

Q.—Prior to that did the society in Canada contribute in any way to the funds of the parent body in the United States? A.—We did.

Q.—Was that continued after the incorporation? A.—It was not. That was one of the objects of the incorporation, and at the time of the incorporation we severed all connections directly or indirectly with the American body.

Q.—So that one of the motives that would prompt you would be to conserve within your own Association all the funds paid in by your members? A.—Yes; that was the principal reason; and another reason was that any Canadian who had honestly paid in his money would not have to go out of Canada in order to collect his benefits.

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Q.—You incorporated first under the Ontario Act? A.—We did.

Q.—That Act of Incorporation is contained in the pamphlet marked Act of Incorporation and Constitution and By-laws which will be exhibit 388, that is a copy of your Constitution and By-laws revised down to the year 1904? A.—Yes.

Q.—Which would be the date of your last meeting? A.—Yes.

Q.—That Act of Incorporation was passed in what year? A.—You have it there.

Q.—The Grand Council of the C.M. B.A. of Canada was incorporated in Ontario January 18th, 1890, and then incorporated in the Dominion of Canada in March, 1893? A.—Yes.

Q.—Prior to your incorporation under the Ontario Act what was the nature of the work that the Association was doing in Canada? A.—It was doing virtually the same work that we are doing now with the exception, the Supreme Council was the governing body in the United States, and they had what was known as a Grand Council in Canada, and the functions of the Grand Council in Canada were the same as they are to-day with this exception that our funds went into a common fund, and that common fund was situate in the United States.

Q.—That is what I gather from what you said before, but in a general way what was the sort of work that was being carried on by the Association whether in Canada or the United States? A.—Insurance, that was the principal; there was of course a social and fraternal tie, but the business element was the insurance element.

Q.—Was the insurance branch of the work always a part of the work of the Association, or was there the fraternal existing without the insurance for some time? A.—I do not think, I would not state positively, but since my connection with the Association, the Fraternal Association at that time, the Insurance Association was at that time the only feature. Later, however, an amendment was made by which an associate member could be taken in who was not an insurance member, but in the early stages it was not so.

Q.—In the early stages if a man became a member at all he became a member for the insurance benefit? A.—Yes.



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Q.—And now he can become an associate member of the body with the fraternal privileges only? A.—Yes.

Q.—And recently besides the Insurance Branch you have established a Sickness Fund? A.—Sick Benefit Fund.

Q.—That was in the year 1904? A.—Yes.

Q.—At your last convention? A.—Yes. Prior to that however we had had in connection with different individual branches a Sick Fund, but it never took general hold of the Order and became part of the Constitution till the convention of 1904.

Q.—Will you tell me to what extent your Society was organized in the different Provinces in Canada before incorporation—did it have a branch in any Province other than Ontario? A.—We had the membership of Canada under a General Council of Canada, that General Council held its conventions at that time every two years and was composed at that time of membership from the Province of Quebec, Province of Ontario, the Maritime Provinces and the Province of Manitoba.

Q.—That was before your incorporation at all? A.—Yes, that was before our incorporation at all under the old regime.

Q.—Did you incorporate in any province other than Ontario? A.—We have no Act of Incorporation other than in the Province of Ontario and in the Dominion.

Q.—Tell me this, having regard to the fact that you were then as it were operating in more than one province what prompted you to take out incorporation in the Province of Ontario? A.—The head office of the Association was in Ontario, and in the minds of the gentlemen connected with the Institution at that time it was necessary starting out that we have an Act of Incorporation in the Province where the head office was situated. At that time the large bulk of membership was in the province of Ontario, and then as we brought it out afterwards—

Q.—It was the headquarters? A.—Yes.

Q.—Was it in your mind or in the other persons who were then in the active management of the affairs of the Society that you should incorporate in the Dominion, or was that an after-thought? A.—Well, now, I cannot tell you sir what was in the minds,

but I became connected with the Association in 1892—

Q.—That would be between the Ontario Act and the Dominion Act? A.—Yes, from that time I entered until it was obtained there always, among the predominating minds of the Association, seemed to be a fixed idea in determination of having a Dominion Charter.

Q.—Tell me then at the time you became actively interested in the work of the Association what were the benefits that the members expected to accrue from Dominion Legislation? A.—I think that the idea was that the Dominion Legislation affected every Province and there would be no exception taken to the jurisdiction of one Province or another, but that there would be a uniform law governing the Insurance Association from one end of Canada to the other.

Q.—Had you experienced anything that was regarded as objectionable when working under the Ontario Act? A.—To that I cannot say. Mr. Latchford was acting as our solicitor then as he is now, and we were guided a great deal by his advice in the matter.

Q.—I was wondering whether there were any provisions of the Ontario Act that the Association wanted to escape from, that is to say any provisions that were regarded as being burdensome or objectionable from the standpoint of the Association? A.—Not that I recollect now, I think it was only to give a uniform legislation and jurisdiction to every member of the Association.

Q.—The Ontario Act provides for the object of the Association being part fraternal and partly to establish and manage and carry on a Mutual Benefit & Reserve Fund, from which at death certain payments were to be made to members? A.—Yes.

Q.—And then it provides the Association may make rules and by-laws for the guidance of its officers and members and the control and management of its funds? A.—Yes.

Q.—And generally for regulating every matter and thing proper and necessary to be done for the good of the Association; I suppose that under that section the Association has from time to time made rules and by-laws relating to the management of its funds? A.—It has.

Q.—Will you tell me what different funds the Association now has? A.

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—It has the Reserve Fund; 5 per cent. of every assessment paid by every member is called a Reserve Fund, and laid aside and cannot be used for any purpose whatsoever until such times as twenty-four of the old assessments have been levied.

Q.—Twenty-four of the old assessments levied in one year? A.—Yes, that fund to-day amounts to the sum in round numbers of \$208,000 and is deposited in five of the Banks of the Dominion. Then there is the Beneficiary Fund and the General Fund. The Beneficiary Fund is a fund formed from assessments for the purpose of paying the losses incurred in our insurance system. The General Fund is another fund that is got from the per capita tax for the purpose of paying the running expenses of the Institution.

Q.—That is to say you have a per capita tax to pay expenses? A.—Yes.

Q.—You have assessments made with which to pay death claims? A.—Yes.

Q.—And you have out of those assessments received from time to time been carrying to another fund 5 per cent. of the moneys so received for the purpose of building up a reserve fund? A.—Yes.

Q.—And besides those there is the Sick Fund? A.—Yes, the Sick Fund has been established at the last Convention and is still in its infancy.

Q.—Can you tell me what it amounts to now? A.—I cannot give you the exact figure; I think the Secretary could give you full particulars as to that.

Q.—The main fund of all these I suppose is the Beneficiary Fund? A.—Yes.

Q.—That is the fund that calls for the payment of the most money from your members? A.—Yes, it is that fund out of which the insurance is paid.

Q.—What limit has existed from time to time in your Order as to the amount of money that can be called from any member during a given year? A.—24 assessments.

Q.—I would like for you to speak with references to the history of that if there has been any change, taking it up in the order of change? A.—And when our Act of Incorporation was formed we were allowed under our Constitution 24 assessments. We were running the Association at 14 and 15 assessments per year, which

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would be perhaps 12 regular assessments and three assessments which might be called special assessments.

Q.—Or double assessments—is there a distinction between what you call double assessments and special assessments? A.—Not with us, because we have no right to make any other assessment excepting the assessment which the law gives us, and when you make an extra assessment it is simply double of the other one. At that time people found some fault about having to pay what they call double-headers, that upon a great number of the members of our Association it was a hardship, and they had not made provision for it and they thought that if we could make a definite arrangement of knowing just how many assessments that we would have to pay, and that at each and every month the sum would be set aside that it would be much easier for the large class of membership of which our Association was formed; and after a great deal of talk and conversation, and Committees having been appointed at the last Convention, a Committee was appointed to take up the subject of rates, and in the meantime the basis of assessment was formed by which in 12 monthly assessments were united 20 of the assessments of the 24 which we have spoken of. That is to say that in 12 monthly assessments we are to-day getting the same money as we would before from 20 under the old.

Q.—The assessments are larger in amount? A.—Yes, that is to say we have taken say an assessment, and one-twelfth, I think it would be.

Q.—Has there ever been any controversy in the Courts or otherwise as to the right of your Society to increase the rates charged to members? A.—Well, there has been in the American Courts.

Q.—I am talking about your Society? A.—You mean the C. M. B. A. in Canada?

Q.—Yes? A.—No sir, not that I can recall. Of course we have had suits but I do not think the question of the increase of rates has ever been brought before a Canadian Court.

Q.—You say the question has arisen in the American Courts? A.—Only a few weeks ago a decision was given in the State of New York whereby a Judge of a Superior Court there held that it was impossible for the C. M. B. A. to raise its rates under its Constitution, that it was a contract and that they could not go beyond it, and

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they ordered the refunding of the money that had been paid as an increased assessment. Some time ago I believe in Buffalo my attention was called to a similar decision, not going quite so far, to the refunding, but stating they had no right to increase their rates.

Q.—Was that do you know based on any provision of the Act of Incorporation of the American Society or of its by-laws that distinguishes it from your Society, or do you regard that decision as establishing a principle that would govern you as well? A.—My own impression is that we have a perfect right to assess our members up to what is called the 24 old assessments, that were given us by the Constitution, but I do not believe that without an amendment of our Constitution we have a right to increase the rates any higher than called for by our Constitution of 24.

Q.—Would you refer me to the provision in that Constitution that fixes it at 24? A.—Mr. Behan will look that up.

Q.—Mr. Latchford mentions to me there have been no suits against your Society at all, and you have been rather intimating there has been litigation with your Society here when there has been none. He says any proceedings would be in the nature of paying money into Court by your Society? A.—Yes.

Q.—But there have been no suits by you attempting to get premiums from— A.—No, and when I was speaking of these two a moment ago they were in the United States. We have had no litigation in Canada along those lines at all.

Q.—While that is being looked up I believe your Society has ever since it was incorporated here charged its members according to age? A.—Yes.

Q.—That is the assessment is graded? A.—Yes.

Q.—Not distinguishing every age, but in a group of ages? A.—In groups of ages from 18 to 25 from 25 to 30 and 30 to 35.

Q.—What rates have you had in force for these different groups of ages? A.—Take from the age of 18 to 25, for a \$2,000 beneficiary certificate—

Q.—Do I understand your charges are not equal in proportion to the amount of the certificate? A.—Yes sir, we have for a two thousand dollar certificate, for a \$1,500 certificate, for \$1,000 certificate and for a \$500 beneficiary certificate.

Q.—I notice in all cases the \$2,000 certificate is not exactly twice as much as \$1,000 certificate? A.—No, not exactly, as near as you can make it though.

Q.—That is having it end in a naught or a five in each case? A.—Yes.

Q.—A table of your rates is given in this book of by-laws at page 8? A.—Yes.

Q.—You give there the per assessment as it is headed and monthly rate? A.—Yes.

Q.—What does that mean? A.—What I explained to you a few moments, that we were allowed 24 assessments per year, that we made 20 assessments, and that we make them into 12 payments, and it makes \$1.70.

Q.—You have indicated there the change since 1904 meeting? A.—Yes.

Q.—Prior to 1904 meeting you would not give that monthly rate? A.—No.

Q.—You gave merely the assessment rate? A.—Yes.

Q.—And the assessment rate has continuously been the same since your Association was organized, the only difference being as to the number of assessments in any particular year? A.—Yes.

Q.—At the bottom of page 11, section 8 (reads). Shortly that means this, I take it, that you had carried on your organization long enough to come to the conclusion that 20 was the minimum number you could get along with? A.—Yes and no. We had come to the conclusion that it was upon this fact that we based our resolution, that the scattering of the assessments making a double one in May or a double one in June and a single one afterwards made it very, very inconvenient for the members, and while we knew that 12 were not sufficient we preferred to settle the matter and we called it 20 thinking we could get along nicely, as we have.

Q.—Can you give me now, Mr. Behan, a statement of the number of assessments you have made in each year?

MR. BEHAN: That information I have left at the Hotel, but prior to the change it averaged about 17½.

Q.—We will take that in the meantime; Mr. Behan says the number of assessments has averaged about 17½ since your Incorporation in 1890.

MR. BEHAN: Yes, perhaps more correct to say it has averaged about 17½ since the institution of the Asso-



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ciation, since its organization in Canada.

Q.—What has it averaged since you incorporated?

MR. BEHAN: Probably 18 or a little better.

Q.—It is fair to say that up to 1904 meeting your assessments have been gradually increasing, is it?

MR. BEHAN: We could hardly say that; long before our incorporation our assessments went up in one year to 19, and it varies from 15 to 18 all the way through. There are some years in which the death rate is exceptional, especially a year like two years ago when gripe was very prevalent.

Q.—There was a heavy death rate?

MR. BEHAN: Yes.

Q.—Before you made the number of assessments 20 divided into 12 payments did you obtain any actuarial advice with regard to the proper move of your Association in that Branch?

A.—Yes, we did, we first—

Q.—Tell me what conditions existed that made it advisable on your part to get actuarial advice? A.—Well, in the first place we had heard and seen of companies running on these lines who were having trouble over their rates, and we saw Associations running upon the fraternal system increasing their rates and we appointed Committee after Committee of our own for the purpose of enquiring into it among our membership and giving it thought and study, and arrive at some decision as to where we stood upon the rate question. We did not seem to agree. We had upon the one hand the fact that we had always plenty of money to meet all our liabilities in the Beneficiary Fund, we found that we were in swimming condition, to use the phrase—

Q.—Swimming or floating? A.—Swimming, we were doing a great business and we thought it would be perhaps wise to consult an actuary and we did. We consulted a man whom we were told had a world-wide reputation, at least on this side of the world, Mr. Landis, who prepared an elaborate report and came to the last Convention and gave it to us. It is printed in *The Canadian*.

Printed copy of Mr. Landis' report to be filed as exhibit 389.

Q.—In the first place I suppose you regard Mr. Landis as being an actuary who devotes his time principally to fraternal societies, that is the case?

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A.—We know nothing of him except he came to us with that reputation.

Q.—A man who has given a good deal of thought at any rate to fraternal problems, and he made a thorough investigation into your affairs, did he not? A.—Yes sir, so his report would indicate, and I think he did.

Q.—Examining closely into your death rate? A.—Yes.

Q.—Do you know whether he found your death rate higher or lower than other tables for fraternal organizations? A.—I am speaking now from memory, I think he found it lower.

Q.—Is that your understanding, Mr. Behan?

MR. BEHAN: Yes sir, he said it was favorable.

Q.—He refers to your death rate of certain ages, does he not? A.—Yes sir.

Q.—From 50 to 64? A.—Yes.

Q.—And speaks of it as excessive there? A.—Yes.

Q.—But in the other ages he regards it as favorable? A.—Yes.

Q.—He says the death losses for ten years were \$1,774,000 as against expected losses according to the Hunter table of \$1,620,786, and the National Fraternal Congress Tables of \$1,681,346, and the American Experience tables of \$2,167,524; so that the actual death losses as compared with the expected would be 109 per cent. of the Hunter table, 105 per cent. of the National Fraternal Congress table, and 80 per cent. of the American Experience table? A.—The report speaks for itself.

Q.—And he thinks the excessive death rate is between the ages of 50 and 64; have you in any way restricted the occupations of the persons who may become members of the society have you classed them as risks such as first-class risks, and hazardous risks and so on, or have you permitted persons following all occupations to join? A.—Yes sir.

Q.—You have not classed them as persons in certain cases who should pay an extra premium? A.—No sir.

Q.—You have a medical examination have you? A.—Yes, always.

Q.—You have never admitted members without a medical examination? A.—No, we have a medical examination first by the branch medical examiner, and afterwards a re-examination of that certificate by the central examiner at the Head office.

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Q.—So that you have taken every precaution there; what do you say as to the practice you have adopted of taking persons following all occupations, do you think that was wise? A.—We have not found it otherwise; we have done a large business in Nova Scotia in the mines; we have done a large business in British Columbia, not very large proportionately, with the men who follow the sea; we have done business with the railroad men in the Province of Ontario and Province of Quebec, and so far we have not been informed that our losses—it has never been called to our attention that our losses along those lines have been any greater than those along general lines.

Q.—That is one of the matters that Mr. Landis makes a report on? A.—I believe he does.

Q.—And he recommends greater care? A.—Yes.

Q.—Do you know whether anything was done consequent upon that recommendation of his? A.—Nothing has been done with reference to the Landis report excepting the appointing of a committee to study it and report at the next Convention.

Q.—There has been no action on it yet? A.—Yes.

Q.—The report of Mr. Landis was made at the last meeting? A.—The last Convention.

Q.—So that a committee was appointed to consider it? A.—Yes; I told you what had been done in the meantime from what was done at that Convention, that the system of 20 assessments payable in 12 monthly—

Q.—Quite so, you have made that change since? A.—Yes, as a consequence of this.

Q.—This is an extract from Mr. Landis' report: "It must occur to anyone who will study these figures," etc. (Reads down to the words "on account of the older members")? A.—Yes, sir.

Q.—That I suppose is admitted by all? A.—Yes and no, if that were the only fund from which assessments were paid it would be true, but there is likewise another very large fund in insurance companies which is known as lapses which form a very large part of a fund, and which make up in our judgment and in our experience for any deficiency or discrepancy between the ages.

Q.—That may be so, but what members lapse, the ones that are the best from the Society standpoint, or

are they not the ones who are young; are they not the ones that lapse? A.—I would not be able to say.

Q.—The Society might not object to some of the older members lapsing? A.—No, sir.

Q.—It might be very beneficial, but they do not generally lapse, do they? A.—I cannot tell you as to that, I could not give you the ages of those who lapse, but I do know there has been a very large proportion of lapses since we have been doing business, and that as a consequence quite a large fund has come out of those lapses.

Q.—Have you a table that shows the amount of your lapses? A.—Yes.

Q.—The lapses from 1894 to 1905, inclusive, amounted to 5,498 persons? A.—Yes, sir.

Q.—265 of those were \$500 policies; 3,483 were \$1,000 policies; 5 were \$1,500 policies, and 1,745 were \$2,000 policies, so that the total amount lapsed in that time was \$7,113,000 of insurance, and the total amount paid in by members from 1894 to first January, 1906, was \$313,076.33, and the average duration of membership of the lapse was 4.12 years?

MR. BEHAN: Yes.

Q.—There is no provision of course in your Society any more than there is in any other fraternal society, to give anything to a man who lapses? A.—No, sir.

Q.—So that his payments in are all forfeited? A.—Yes.

Q.—Then Mr. Landis makes a valuation of what your Reserve Fund should be? A.—Yes.

Q.—And he takes for his purpose the National Fraternal Congress Table? A.—I believe he does.

Q.—And your death rate was 5 per cent. more than that table according to his figures? A.—So he states.

Q.—And he takes interest at 3 per cent.? A.—3 and  $3\frac{1}{4}$  per cent. both, he makes two statements.

Q.—Tell me what rate of interest your Society earns on its money? A.—The smallest we earn is 3 per cent. compounded monthly and some cases  $3\frac{1}{4}$  compounded half yearly, but the majority of our Reserve Fund draws 3 per cent. in the various banks of the country compounded monthly.

Q.—How much money has your Society on deposit in the banks? A.—The Reserve Fund \$208,000 up to the 30th day of last month.

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Q.—Besides that Reserve Fund are there any other moneys of substantial amount? A.—There is our Beneficiary Fund in which we have a surplus now of, I would not state the amount, the Secretary would tell you better than I—\$50,000 or \$60,000.

Q.—So that you would have altogether how much on deposit?

MR. FIELDING: About \$260,000.

Q.—All that money is deposited in banks in Canada? A.—Yes, sir.

Q.—Tell me why you keep it in banks? A.—Just before we got at this there is the reserve in the first place by itself, that is deposited in the name of the trustees in the different banks like this, for example (producing a deposit book); we have this deposited in the various banks. Then the other is kept in the bank at London and at Kingston, that is the ordinary fund. The reason of our keeping it in the bank is we have not decided yet upon any investment of a character that we wanted to invest in, that is it has been suggested—the law curtails us to certain investments—and we have not as yet decided upon what investments to make, and when we were getting  $3\frac{1}{2}$  we found that gilt edged securities might bring 4 and  $4\frac{1}{2}$ , but that it would cost us the difference to make the investment, and our people were entirely satisfied with the investments as they were, and we knew exactly where to lay our hands upon them, and there could be no difficulty then of any wrong doing in the way of investments, and we were prepared to show our hand at any time to the Inspector or whoever might make the enquiry as to the investments or the securities of the Reserve Fund within our control.

Q.—You thought that while there might be a little better rate earned that safety and proper conduct of the affairs of the Society indicated leaving it in the bank rather than investing it in securities? A.—Yes; for if we invested it in village securities or in bonds we would have to make the investigation ourselves, or take the words of those from whom we got them.

Q.—We have had insurance companies loaning money and averaging a return of 5 per cent. and better for interest? A.—Yes.

Q.—That would be a substantial benefit to your Society? A.—Yes, I think perhaps that was done in the older days.

Q.—No, right up to date, some companies have shown returns where they have not dropped below 5 per cent.?

A.—I know the Sun Life and other companies have done that, but they have mortgages all through the country and you cannot get those to-day as I understand it.

MR. LANGMUIR: I suppose it is quite true if you invested in first mortgages on real estate it would be troublesome and you would have to go to a great deal of expense, but you could put the money into very excellent municipal debentures to yield 4 per cent., and without any very great trouble and expense? A.—You can it is true, but even in municipal debentures I know of some brokers to-day in Montreal who have in their safes worthless debentures both of the Province of Ontario and the Province of Quebec that by some flaw or some wrong opinion or something of that kind the parties who hold them to-day are suffering, and we did not believe, and I as President did not believe, that for the difference of say one-quarter per cent. we could afford to run this risk without a direct authorization in convention from the parties interested, that is the policyholders, and that is the reason that it has been kept where it has.

MR. LANGMUIR: Take it for granted you get an average of  $3\frac{1}{2}$  on deposits, and if you got 4 per cent. you would be making three-quarter per cent. You must bear in mind that the parties selling those municipal debentures most frequently pay the expense of the examination of title? A.—Yes.

MR. TILLEY: Mr. Landis has taken in account 18 assessments? A.—Yes.

Q.—And that has been the average in recent years? A.—Somewhere about that.

Q.—He figures that the fund on this basis that would be required for a Reserve Fund would be \$6,217,248? A.—Yes, I believe he did.

Q.—And your actual reserve at the time was how much? A.—It would be at that time somewhere in the vicinity of \$180,000 I think.

Q.—\$157,563 at the end of December, 1903? A.—Yes.

Q.—That would cause you to think? A.—It would cause us to think, but the theory is upon the one side and the facts are upon the other. We



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are doing our business, we have our surplus, we are paying all our claims, we have \$60,000 in our treasury. In the Beneficiary Fund, there will be no probability we think of touching the Reserve Fund, and we have that upon the one hand against the theory of Mr. Landis upon the other.

Q.—You say you have the facts, I suppose that has been brought about by the number of new members you have been getting all the time? A.—The new blood against the old.

Q.—Can you tell me how your average age at the present time compares with previous years? A.—It is less.

MR. BEHAN: The present average age, as nearly as I can give it, is about 37 or a shade lower; it was about 40 at the time Mr. Landis made his investigation.

Q.—What was it before that, had it been increasing or decreasing?

MR. BEHAN: A.—It was increasing for a time, it held normal for some years.

Q.—At about what?

MR. BEHAN: About 38 to 40.

Q.—So that bringing in the new members and decreasing the average age of course is very helpful to your Society?

WITNESS: It is.

Q.—It enables you to carry the affairs on keeping in that actual state of good health that you speak of better than if those new members did not come in? A.—Yes, sir.

Q.—But nevertheless the liability on those policies is there unless we are to disbelieve these actuaries entirely, is it not? A.—The liability on every man who enters the Association is there, at sometime we expect to pay.

Q.—And it should be provided for? A.—Yes.

Q.—Is that the case— A.—It is provided for as I understand it, sir, by the Constitution, it is provided for by each and every assessment, and as a man dies an assessment is taken to pay that man's death claim, and the Reserve Fund is only in case—what I do not think will happen in your lifetime or mine—that anything should occur by which more than 24 assessments will be required, and then we will draw upon the Reserve Fund.

Q.—Then should you and I pay in less because the calamity will not happen in your lifetime or mine? A.—We should not pay in less nor should we pay in more if we made a contract to pay such an amount.

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Q.—Should a Society be making contracts with its members to pay less than what is proper having regard to the real liability of the company on the insurance policies? A.—No, it is according to how they should pay it; if it were on the cash principle I think it would be perfectly right, but where you only pay in case of loss and when you are assessed for your loss it seems to me it is a different state of affairs.

Q.—According to Mr. Landis there is a discrepancy of from \$157,000 to six million dollars in the amount of funds that you have, or had, on the 31st December, 1903, to answer the liability of the Association on its policies. That is a very wide breach there? A.—That is Mr. Landis' method of figuring.

Q.—Have you had any report that gives you any more favourable result than that? A.—We have never sought any from any other professional.

Q.—Why not? Because you thought you would not get— A.—No, but we had upon the one hand the facts as we looked upon them.

Q.—Have you an actuary in your Society? A.—We have not; that is to say an actuary in our Society—you mean in connection with the Association, doing business for the Association?

Q.—Yes? A.—No, sir.

Q.—You say you have not consulted a professional? Have you consulted a non-professional? A.—No. What I mean to say is that the trustees and best minds that we could get in the association have discussed this matter pro and con, the leading men of the Association, irrespective whether they were officers or not have had their opinions and they are divided on the question.

Q.—Has there been any agitation to increase the rates and to re-arrange matters, so that in some way the old members would put up the amount of money that Mr. Landis thinks is necessary in order to make the affairs solvent? A.—There has been an occasional member who has asked for this, and there have been letters to that effect coming from different parts of the country, but the mass of the membership of the C.M.B.A. are decidedly opposed to it.

Q.—I supposed that that would be the case, because the mass of the membership would constitute the per-

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sons who are now members? A.—Yes.

Q.—The persons who have not yet come in cannot express their views on it? A.—No.

Q.—Is it right, in your opinion, that the members that come in from this date, should be paying extra in order to clear the liability on the old members? A.—No, not unless they make a contract. If they make a contract, if you make a contract, if I bought coal yesterday for \$5 a ton, and you are obliged to pay \$6 to-day, and you are willing to do it, that is your business, and it seems to me that it is according to the contract that you make.

Q.—You would hardly put the relationship that should exist between members of a fraternal organization on the same basis that you would a contract between you and me? A.—No, but I would put it along this way, that we have a right, that they come in upon those rates, and that if these rates are not right it seemed to me that they should be made right.

Q.—If the rates are not right how should they be made right? Should they be increased for the new members, and left the same for the old? A.—Well, my idea is that if the rates are not right—and I have yet to learn that they are not—that the Government should appoint a body of actuaries to inquire into the insurance companies, and inquire what is the minimum rate of assessment for this company, and make a law.

Q.—And fix a standard A.—Fix a standard.

Q.—Can we take it in that way that you would approve of legislation that establishes the minimum charge that can be made to members for assurance? A.—I would approve of any legislation that would make it a safe investment for them, for the men who are in societies, such as I have the honor to be at the head of.

Q.—Now let me put the question to you little further than that. Supposing a rate is established as a minimum and a society has been charging less than that amount, and has not a sufficient amount of money on hand to answer the liability on their policies according to the standard adopted by any Government measure, how would you treat the old policyholders? Would you enable the society to compel the old members to make good either by way of a lien on their

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policy or by extra premiums, or in whatever way is decided upon—would you compel them to make good, or would you let their insurance be carried on separately? A.—I do not quite seize your question. I understand it that a hundred members come in to-morrow; they come in at given rates. They die within the next ten or twenty years. There is no reason why, if there is any association at all, that these men won't be paid. I cannot see where your question comes in.

Q.—Let me put it this way; if you establish new rates that would only be for new members, according to your ideas? A.—Yes sir.

Q.—And those new members, either must be charged what is fair to themselves, or they must be charged something more in order to pay for the old members who have not been paying enough. You must adopt one of two courses with them? A.—Yes.

Q.—If you charge them the higher rate of insurance you should make that a fund for them as distinct from the fund for the older members, should you not? A.—Yes.

Q.—Because they are paying in higher rates. The moment you do that you make a new fund. You create a fund for the old members, do you not? A.—Yes.

Q.—If you separate the old members off from the new members in that way and make their payments on the old basis continue, they are not going to be all paid, are they. Eventually they will not be paid. They have no new blood coming in? A.—No.

Q.—The average age is increasing? A.—Yes.

Q.—The monies are being paid out on the claims as they mature in full. That means that the persons who die last will not get anything out of that fund? A.—Yes.

Q.—You must, in some way make some provision whereby a fund will be created for the older members? A.—Yes. Those who believe that our rates are not high enough are saddled with that obligation. I believe our rates are high enough, and those who think otherwise should make these provisions.

Q.—Of course you would not be classed among the young blood, would you? A.—No, I have been, I am sorry to say, but it has gone by.

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Q.—You are still pretty vigorous but not in the right age? A.—No, sir.

Q.—Then Mr. Landis makes other comparisons which it is not necessary to bring out in detail. The whole report will be put in. He makes a valuation, I think, up to 36 of your assessment, does he not? A.—Yes.

Q.—And he says it would require \$192,000 reserve, or \$34,000 more than your present reserve, even if you charged 36 assessments? A.—Yes.

Q.—Did you approve of fixing the number of assessments at 20? A.—Yes. I approved of the plan of fixing regular assessments, whether they were 20 or 12. I was against the system of double headers, which was a great inconvenience for our members.

Q.—And then he explains options that should be offered to members, does he not? A.—Yes sir.

Q.—And I do not know that it is necessary to go into that, because the report will speak for itself. You say a Committee was appointed to deal with that report? A.—Yes.

Q.—Or was it the Executive Board that was instructed? A.—No, a committee was appointed. You have the report of the last convention that deals with it.

Q.—I thought it was the Executive Committee that was instructed to deal with it. A.—A committee was appointed at that time during the convention, and they brought back a report and then the executive was appointed.

Q.—There have been various discussions and postponements? A.—Yes.

Q.—But nothing has yet been done except to fix the rate at 20 assessments? A.—Yes.

Q.—Just one other matter while on that. You group the ages and by way of comparison I have taken 20 assessments divided into 12 payments on the basis of your rates, and compared them with the Hunter rates, and the National Fraternal Congress rates, and at age 18 your rate is \$10 and the Hunter rate is \$9.86? A.—For what policy?

Q.—For a policy of \$1,000. So that your rate at age 18 is a little higher than the Hunter rate, but the difference is that yours continues at the same amount until you reach 25 years of age, when the Hunter rate has risen to \$12.42, yours still being \$10, the National Fraternal Congress \$11.92. Then yours is increased a

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dollar at age 26 and keeps the same until 30. The Hunter rates commence at 26 at \$12.76 and continue up to \$14.31; the National Fraternal Congress rates commencing at \$12.28 and running up to \$12.43. Then yours continues at \$12 from 31 to 35, but at 35 years of age the Hunter rates have risen to \$16.42 and the National Fraternal Congress \$16.62. Then yours continues at \$13 to the age of 40; the Hunter rates then are \$20.18, National Fraternal Congress \$20.11. Then yours is \$15 up to age 45, and the Hunter rates \$24.66; the National Fraternal Congress \$24.72. Then yours remains at \$17 up to the highest age, 49; the Hunter rates being \$29.36, or \$12.36 more than yours, and the National Fraternal Congress rates \$29.57. So that there is a very great disparity between your 20 assessments even as you are now levying them and the Hunter rates? A.—At certain ages, yes.

Q.—And the Hunter rates are established as the minimum under the Ontario Act? A.—Yes.

Q.—Then, if you are operating under the Ontario Act now would you be able to change your rates or would you have to charge higher rates? A.—I do not think so; I think we could charge our rates as they are now. I do not give this as a legal opinion. I only give it as an—

Q.—As a non-professional legal opinion? A.—Perhaps so.

Q.—Then is the Beneficiary Fund kept entirely separate from your expense account? A.—Yes, sir.

Q.—Or General Fund? A.—Yes, sir.

Q.—Is it ever entrenched upon at all? A.—No, sir. What do you mean by entrenched upon.

Q.—Well, was there ever any loan obtained upon it for any other funds of the Society? A.—No, sir, there was not, excepting this, that I might state that at the last Convention the funds we had on hand were not sufficient to pay the expenditure of the Convention.

Q.—That is the general expenses? A.—Yes.

Q.—Amounting to about how much money? A.—About \$10,000.

Q.—Was that the whole cost of the Convention? A.—No, sir; the whole cost of the Convention was somewhere about \$11,000.

Q.—It was found very expensive to get all the delegates together? A.—Yes.



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Q.—About how many delegates would you have to your Congress? A.—We would have somewhere between 300 and 400.

Q.—Coming from the Atlantic to the Pacific? A.—Yes.

Q.—All their expenses being paid by Congress? A.—All their expenses being paid by the Convention and \$2.50 a day besides.

Q.—To cover incidentals? A.—Yes.

Q.—You were going on to say something about that? A.—Yes, we borrowed at that time from the bank the money to make up the deficiency. Somewhere in the vicinity of \$10,000. When it became due I think we renewed it at once, and then we decided that it would be as well to take this money from the Beneficiary Fund, having a heavy surplus, not getting anything upon it, and use that until such time as we paid it back. Instead of paying 6 per cent. to the bank, to pay 3 or 3½ to our Beneficiary Fund. That is the only entrenchment I know of, if you call that an entrenchment.

Q.—That means that your levy for expenses has not been high enough? A.—It means that a per capita tax of from 50 cents to \$1.00 more is needed per member per year to cover the expenses of a Convention once in three years.

Q.—You go to that Convention with practically only \$1,000 or so to pay the expenses of it? A.—Yes.

Q.—How was it that that was not foreseen and provided for? A.—It was foreseen.

Q.—How was it not provided for? A.—How can you provide for it before?

Q.—By a levy? A.—Well, there is a question as to whether you could make a levy or not. It was thought that a levy might be made, would be made, for that purpose, but it was not deemed advisable to make it at that time.

Q.—Could it be made under your constitution? A.—Yes.

Q.—There is no limit on the amount you can call on your members to pay for the expenses? A.—No, but I think that we can increase the per capita tax. The per capita tax is a tax just for those expenses, and has nothing to do with the insurance rates, as you understand.

Q.—The last Convention before the one in 1904, when you made that borrowing was in the year 1901? A.—1901, yes, sir.

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Q.—Was there any shortage there or was the expense account ample to pay the expenses? A.—There was a shortage then.

Q.—What was done that year? A.—We borrowed from the banks and we paid it afterwards to the banks.

Q.—Direct? A.—Direct.

Q.—There was no mixing of funds? A.—No.

Q.—You kept the liability distinct? A.—Yes.

Q.—Of course it was the same organization that was liable to the bank? A.—Yes.

Q.—So far as the banks were concerned, could it proceed against your Beneficiary Fund to collect? A.—No, sir.

Q.—Why not? A.—Well, against our Beneficiary Fund—it would proceed against the corporation—the organization as a whole.

Q.—And then it could levy or seize, if it was not paid? A.—Yes.

Q.—Is there anything in your legislation from beginning to end that protects all beneficiary funds for the members to obtain payment of their death claims out of it? A.—No, sir; that is the very object of it, you know, and it is not used for anything else. It is not supposed to be except the 5 per cent. that is taken off for the Reserve Fund; but if this is what you want to get at, there is nothing in our Charter that prevents us from using the Beneficiary Fund, pro tem, for running expenses for the General Fund.

Q.—You say there is nothing in your Charter to prevent you borrowing from one fund or the other? A.—Yes, of those two funds—not from the Reserve Fund.

Q.—So far as the Beneficiary Fund is concerned and the General Fund, you can mix those funds up as much as you please? A.—There is nothing against it. We have made a practice and we do it. They are distinct and separate funds.

Q.—What was the shortage of the 1901 meeting? A.—It was somewhere in the vicinity of \$7,000.

Q.—Then what was the shortage of the 1898 meeting?

MR. BEHAN: I may explain, if you will permit me: at the meeting in St. John in 1894, there was a shortage of \$7,000, but the practice of the late Grand Secretary was that many accounts were allowed to stand over, and sometimes there was an ac-

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cumulation of funds, which rendered the amount to be borrowed at the close of the Convention less than was actually the case at the last Convention. At the time we met at the last Convention every account that the Association had contracted that we knew of, up to the time that the Association met, had been paid, so that we met the Association without a dollar of indebtedness—

MR. TILLEY: Without much in the shape of an asset.

MR. BEHAN: Well, we had not. I think we met the Convention in that condition, and hence the necessity for borrowing the large amount at that time.

MR. TILLEY: Has that been paid back?

MR. BEHAN: No, sir; it has not been paid back.

Q.—MR. TILLEY: Has any part of it been paid back?

MR. BEHAN: No, there has not been any part of it.

WITNESS: There has been something paid to the bank.

MR. BEHAN: Oh yes, the money was borrowed from the bank on a note, and was repaid to the bank with interest at the expiration of six months, and as the Grand President explained, it was deemed wiser that we should, in the interests of the Association, having money lying in the bank which was not earning very much for us, and it would be in the interest of the Society that we should do it in that way. At the time the last Convention met, it was thought we would be enabled to pay this money back out of the surplus of the General Fund before the next Convention. At that time we had no paid organizers; after the Convention was closed and the Executive met, to map out the work for the coming year, the question of engaging organizers was considered, and in view of the fact that there was keen competition to obtain members, and the absolute necessity in all insurance organizations to take in new blood, it was deemed advisable that we should engage organizers. Now the expense incurred in payment of these organizers has rendered it impossible for us to put aside any amount of money out of the General Fund to repay this loan.

MR. TILLEY: Then we will leave that for the present. Your Reserve Fund is in a somewhat different position from the Beneficiary Fund, Mr.

Hackett, is it not? A.—Oh yes, sir; that is intact and inviolate. We cannot touch it.

Q.—You have never in any way borrowed from that fund? A.—No, sir.

Q.—It has been added to at the rate of 5 per cent. each, has it, each year? A.—On every assessment.

Q.—Five per cent. of the assessment is carried to that fund? A.—It is; yes, sir.

Q.—Section 25 of your Reserve Fund law, which is given at 18 of the Constitution and By-laws, provides that the Reserve Fund shall remain intact and undiminished, except as to amount allowed to be withdrawn under Section 21, and shall be increased from time to time, except that whenever in any one year the members shall have paid 24 assessments no further assessment shall be levied in that year? A.—Yes.

Q.—But the trustees of the Reserve Fund shall appropriate as much of the said fund as shall be necessary to pay the amount due to beneficiaries in excess of the amount received from such assessments? A.—What we stated a moment ago.

Q.—Yes, I was wanting to refer to the provision that carried out what you said was the rule? A.—Yes.

Q.—That fund is in the hands of several trustees as distinct from the other funds? A.—No, sir.

Q.—It speaks of trustees Reserve Fund? A.—Well, there are only the trustees—there is only one set of trustees in connection with the Association, but in the ordinary finances the same rule is not necessary to go through. The President, Secretary and Treasurer are sufficient for the other monies to come and go. The trustees have absolute control of the trustees fund, and no money can be taken out of the bank unless signed for by all the trustees and by the officers of the company as well.

Q.—Then is that distinction between the method of handling money what you referred to as the impossibility of using the Reserve Fund for the ordinary affairs of the Society? A.—What I mean is this; that every trustee has the interest of the Association at heart; every trustee, when a dollar of this Reserve Fund would be required, has placed before him the reason, if any, for drawing it, and you cannot get the signature of these men and the officers of the Asso-

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ciation for withdrawing these monies, only in the case that we have mentioned.

Q.—I quite appreciate that, because that is according to your by-law? A.—Yes.

Q.—But you can change your by-law to-morrow? A.—I think our Act of Incorporation states that.

Q.—I do not see anything in the Act of Incorporation. The Dominion Act says— A.—Well, we could change our by-law, not to-morrow, but we could change it at our next convention.

Q.—You could change it of your own free will? A.—Yes.

Q.—And the protection that exists is the protection that is thrown around it by your own internal rules and regulations? A.—Yes.

Q.—Rather than by your Act of Incorporation? A.—Yes, that is if the statement is correct.

MR. TILLEY: That is so, Mr. Behan, is it not?

MR. BEHAN: Yes.

MR. TILLEY: How long have you been President, Mr. Hackett? A.—Ten years.

Q.—Then you were President prior to Mr. Behan being the Secretary? A.—I was, yes. Mr. Behan became the Secretary just prior to the last convention.

Q.—That is prior to the 1904 convention? A.—Yes.

Q.—Has this system of keeping your monies on deposit in the bank been in vogue ever since you incorporated here? A.—Oh, yes.

Q.—Never had any investments at all? A.—No.

Q.—Not a little fly at stocks at any time at all? A.—No, sir; perfectly intact, not a fly at anything.

Q.—No loans? A.—No.

Q.—No accommodation of any kind at all? A.—No, it has remained in the bank and there only, and none has been drawn out for any purpose whatever.

Q.—That seems a quiet place to have it resting all the time? A.—A quiet set of trustees.

Q.—You have your books regularly audited? A.—Yes sir; we have two auditors appointed by the convention, one a member of the Association, and one who is not. The auditors of the Association are named by the Association. Mr. Edwards, an accountant well known in this city, I believe, and Mr. Kernahan, who was formerly I understand, an accountant here,

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and is now at the O'Keefe Brewery—they are the auditors of the Association.

Q.—That is a change of method on your part? A.—Yes.

Q.—You formerly had the inspection made by trustees? A.—We had a finance committee in connection with our organization which was elected at each convention.

Q.—You found that that did not work very satisfactorily? A.—Well, we found there was more satisfaction in having men who were accustomed, who made a business of this on the one hand, and then we thought on the other hand that it was in the interests of the association, that we should have some one not connected with the Association as well as someone connected with it.

Q.—And has the result justified your expectations in that regard? A.—I think it has, sir. Although nothing has been found to be incorrect, suggestions have been made by both gentlemen that I think are valuable to the Association as an Association.

Q.—You get valuable hints from them, from time to time, as to methods of keeping books and so on? A.—Yes.

Q.—Which you would never get under the old system? A.—That is our idea and I think it is correct.

Q.—What is the expense to the Association of the audit by these professional auditors, each year? A.—Well, about \$300, from \$300 to \$400, for each audit.

Q.—And that is something entirely additional. You did not pay your old trustees for that? A.—No sir. At that time, as you perhaps are aware, our central head office was at Kingston. We had a finance committee, or a committee who went there each year, and we paid them as we paid the other officers of the Association and a per diem as a recompense.

Q.—You have mentioned Kingston, but at that time your head office was in London? A.—I meant to say in London.

Q.—And then you changed it to Kingston? A.—Yes.

Q.—And what allowance did you say was made? A.—They were allowed their travelling expenses, and their out-goes, and the ordinary fee given to an official of the Association.

Q.—Does that apply to all the trus-



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tees? A.—It applies to all the trustees.

Q.—Have you given to me all the papers relating to matters which caused you to make any change in that system, and in appointing permanent auditors, and so on? A.—Yes sir.

Q.—You have handed me all those papers? A.—Excepting a desire on the part of the Association as a whole, perhaps, to have men who made a business of accounting and adjusting a practical accountant rather than members of our Association who were following other lines of business.

Q.—You have handed me all the documents relating to any matters which came up for consideration which caused you to make a change in your method—you have given them to me? A.—Yes.

MR. TILLEY: Subject to any questions I may want to ask Mr. Hackett later, and also as to any other matters—because we are always at liberty to recall witnesses—there is nothing more that I wish to ask Mr. Hackett now.

MR. GEARY: I have nothing to ask Mr. Hackett.

JOHN J. BEHAN, Sworn: Examined by MR. TILLEY:

Q.—How long have you been Secretary of the C.M.B.A.? A.—Since July, 1903.

Q.—And before that you were one of the trustees of the Society? A.—Yes.

Q.—And at the time you became secretary the head office of the society was transferred down to Kingston? A.—Yes.

Q.—What, in a general way, are your duties as secretary? Do you devote your whole time to the work? A.—Yes, absolutely.

Q.—You are paid a salary? A.—Yes.

Q.—Out of what fund? A.—Out of the general fund.

Q.—Out of the largest fund? A.—Not out of the largest—out of one that is overdrawn.

Q.—I suppose that is the trouble with it? A.—I do not know that that is. I would not like to admit that.

Q.—What salary are you paid? A. \$2,000 a year.

Q.—And that covers all your remuneration from this society? A.—Yes.

Q.—And covers the whole of your time? A.—Yes.

Q.—What work falls under your jurisdiction? A.—I have not supervised the whole work of the Association. I receive the correspondence, receive and answer all correspondence from all the branches of the Association, supervise the checking, the receiving and checking of all reports from branches, look after the work and direct the work of the organization, and endeavor to put new life into branches, and occasionally visit them to straighten out matters.

Q.—You attend to all the work, including the fraternal side of the Association's work? A.—Yes.

Q.—And the insurance? A.—Yes.

Q.—And you are now attending to the sick benefit? A.—I am now attending to the sick benefit.

Q.—Whose idea was it to establish the sickness insurance? A.—The sick benefit fund?

Q.—Yes? A.—Well, there was a very general demand from the membership in various parts of the country for a sick benefit fund. It was contended by many members that nearly every other fraternal organization had a sick benefit fund, and that such a fund could be better handled by the executive of the Association than it could be done by the individual branches, as many of them were trying to do.

Q.—Now the risk, large or small, whatever it may be, that is involved in that branch of the work, puts at risk all the funds of your society under your Act of Incorporation, does it not? A.—No.

Q.—Why not? A.—Because we have a special Act under which the sick benefit fund was established.

Q.—A special Act of what year? A.—1904.

Q.—For the purpose of carrying on the sick benefit work only? A.—Yes, the original Act of Incorporation prohibited us from engaging in anything of that kind.

Q.—So that you applied for special legislation when you decided to take up that work? A.—Yes.

Q.—And are the funds that are derived from that branch of the work kept entirely distinct from the other? A.—Absolutely separate.

Q.—Is the table of rates made up by you? A.—No, the table of rates was approved by the Department at Ottawa.

Q.—As being conservative rates? A.—Yes based on the experience of

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the last 150 years of other organizations.

Q.—Coming back to the insurance part of your work you have reached the time, I suppose it is not unfair to say, when you must seriously consider your position with regard to reserve funds and liabilities, and so on? A.—Yes.

Q.—And you have been considering it for some time past? A.—Yes, the matter has received more or less consideration.

Q.—Do you agree—I am speaking personally now, not as an Association—do you agree entirely with the President's point of view as to your position under present rates and so on? A.—Our present rates have been ample to cover our insurance in the past.

Q.—What do you mean by that? Do you mean that you have always had enough money in hand to pay a claim when it came due? A.—Not always, because the system in vogue prior to the convention of 1904 was a little different from that in vogue at the present time.

Q.—What was the difference? A.—The difference was this: the assessment levied to pay the death claims was not levied until after the close of the month in which the death claim occurred. For instance, if a death occurred in a certain month, the payment of the claim was only made in the following month, and of necessity we did not have the money on hand to pay the claims until the branches paid in that money.

Q.—Then when the death claim accrued in certain months, you would make an assessment, sometimes a double assessment? A.—Yes, the assessment was based on the necessities created by the deaths that occurred during the previous month.

Q.—And you would not know of the necessity until the death occurred? A.—No.

Q.—And you were building up the Reserve Fund taking 5 per cent., as has been stated? A.—Yes.

Q.—There is no limit to that Reserve Fund by Act of Parliament? A.—No.

Q.—And your rules and by-laws could be changed at any time? A.—They have been changed.

Q.—What does that leave you to say as to your view of the position of the Society prior to 1904? A.—As I stated before, our experience has been that the system of doing business was

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ample to protect the Association under existing conditions.

Q.—That is to say you always got enough money to pay the death claim? A.—Yes, without reaching the limit provided for in the constitution.

Q.—Without reaching the 24 assessments? A.—Yes.

Q.—That hardly answers my question. You know that? A.—What is it you desire?

Q.—I desire your frank opinion on the condition of the Society prior to 1904 and the necessity for changing rates and what was the position of old members, and so on? A.—The condition of the Society was, in my opinion, safe.

Q.—Was, you say? A.—Yes, and is, I think, at the present time. I do think that the readjustment of rates regarding age is necessary.

Q.—What do you mean by that? A.—I mean to say that the present system of grading is not the fairest or best that could be adopted.

Q.—That is in groups of ages? A.—It should be from year to year.

Q.—That is nothing so very serious, possibly. Would you say then that you have enough for age 18? Would you take the rate for 18 and then increase them from that up to 25, or would you make for the age 24 the charge you have for 18 and decrease it down to 18, or take the middle age, or what would you do? A.—I would make it year by year.

Q.—Would you make the figures for 18 what you now have for 18? A.—No, I think the figure for 18 years is excessive.

Q.—You would make it less? A.—Yes.

Q.—At what age would you place the present assessment as between 18 and 25? A.—The present rate at 18.

Q.—The present assessment at 18? A.—I do not quite understand the question.

Q.—Take a \$1,000 policy, your assessment at present is 50 cents at age 18? A.—Yes.

Q.—And also 50 cents at age 24? A.—Yes.

Q.—You say it should be graded between 18 and 24? A.—Yes.

Q.—So that at 18 it would be less than the 50 cents? A.—Yes.

Q.—And at 24 what? A.—More.

Q.—The 50 cents would fall in the interval, some place? A.—Yes.

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Q.—What else would you do besides grading them according to age? Would you raise them? A.—In the higher ages I think they ought to be raised.

Q.—From what age? A.—From 40 years of age and up.

Q.—To what? A.—From 40 to 49, which is the limit.

Q.—You think those ages should be paid for by additional assessments or higher assessments? A.—I do, sir.

Q.—Anything else that you propose? A.—Well, I would be in favour of reducing the age of entrance to 45 years.

Q.—Why? A.—I think it would be in the interests of the Association, for its perpetuation.

Q.—To prevent the getting in of older lives? A.—Yes.

Q.—You would want to keep the average ages down? A.—Yes.

Q.—You would accomplish that purely by limiting the age at which people come in? A.—Yes.

Q.—In assessment societies a person at 55 would be more apt to enter than one at 25? A.—Yes.

Q.—Why? A.—Because the rates are lower than the straight line companies.

Q.—And they can be fairly confident that it will last long enough for their claim to fall in and be paid? A.—Yes, our experience has proved it so.

Q.—The younger man gets the cheaper rate, too? A.—Yes.

Q.—But there is the hesitation in his case that does not exist in the older man? A.—I do not think there is the hesitation in the younger man, because the younger man cannot obtain the insurance at the same rate in a straight line company that he can in a fraternal organization.

Q.—Are the young men as willing to join the Association as the older men? A.—My experience since I became Grand Secretary is that at least 75 per cent. of the initiations are under 35 years of age, and that has been one of the reasons why the average age of the membership is decreasing.

Q.—Is there anything else Mr. Behan, that you would do? A.—No. I do not think there is. I do not think I have anything to suggest.

Q.—How would you make up this deficiency that Mr. Landis reports, of over \$6,000,000? A.—Well, I am not prepared to say that I admit the deficiency.

Q.—Do you dispute with Mr. Landis as to the amount, or do you say there is no deficiency at all? A.—I am not prepared to say that.

Q.—What are you prepared to say? A.—I am prepared to say that most of the shortage where it is alleged that we are not collecting sufficient rates from our members is made up as stated by the Grand President from lapses.

Q.—What do you say about Mr. Landis' report as to that \$6,000,000? Do you say that \$6,000,000 will be made up by lapses, and that there is no need to have it paid into the society at all? A.—No sir, I do not.

Q.—What position do you take? A.—At the present time I do not care to take any position in the matter until it is discussed by the executive.

Q.—We cannot wait for the executive? A.—I know you cannot.

Q.—You are an insurance man, you are an important man in an assessment insurance company, and we would like to have your view? A.—Well, I could almost quote Mr. Landis against himself.

Q.—You could straighten him all out and then give us your view, what is it. I am not pinning anything to Mr. Landis. If you will say Mr. Landis is incorrect tell us why? A.—I am certainly not prepared to say Mr. Landis is either correct or incorrect.

Q.—Have you no view on the situation at all, as to the position of the society with regard to a fund it should have amounting to some millions at the end of 1903? A.—Well, the system of fraternal insurance does not call for the maintaining of a fund of that kind.

Q.—You mean to say in regard to the system you are now speaking about that the Legislation does not call for that fund? A.—No, the system of doing business, the system of straight line companies requires some investment. With fraternal insurance it is different.

Q.—Why? A.—It is different in this way; that the members of the Association are only called upon to pay the necessary assessments, to pay the death claims as they occur.

Q.—So long as you can keep the new members coming in fast enough to pay the death claims as they occur, it is all right? A.—I think so.

Q.—And when you cannot what will



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happen? A.—You will have to have a readjustment of rates.

Q.—In your opinion has the time arrived yet for your Society to have a readjustment of rates? A.—I think it would be in the interests of every fraternal organization that a readjustment based on the soundest possible principles should be adopted.

Q.—Then it is a sound principle, is it what you would call a sound principle that the company should go on, and so long as they can get in the new members to pay in the assessments fast enough to pay the death claims that it is all right—would that be a sound principle? A.—Not altogether.

Q.—By a sound principle you would require the company or association to keep a reserve fund? A.—Exactly.

Q.—On what basis are you going to estimate that reserve fund? Do you dispute the basis on which Mr. Landis estimates it? A.—Well, I have not given that matter sufficient consideration to answer the question.

Q.—It was made in 1904? A.—I am well aware of it.

Q.—But you have had other things to do? A.—I think I have had a very busy time.

Q.—And there are some other things you rather fancy leaving to the trustees? A.—No, I have never shirked my responsibility.

Q.—I was wondering whether you would not leave that for them to deal with to some extent? A.—No, because it is a matter in which I am as vitally interested as the trustees or anybody else.

Q.—And I suppose probably the reputation of the society is even more your reputation than that of any other individual member? A.—The greater portion of my life has been with it.

Q.—Tell us, as you can now, what you have to say about Mr. Landis' theory as to reserve fund, is he out of all proportion? A.—I think the figures are excessive.

Q.—To what extent excessive? A.—I am not prepared to say. I would like to give Mr. Landis' report a great deal of study, and propose doing it at the first available opportunity, but since I have taken hold of the office I have had no time to myself. A complete change in the transaction of business has been put in operation, and it has taken all my time and a great deal of the nights.

Q.—Certainly the reserve fund that you would require at the present time,

or would have required at the end of 1903, the time Mr. Landis' report was made would have been greatly in excess of the \$150,000? A.—Yes.

Q.—And in excess of a couple of million? A.—I won't say.

Q.—Would you say four million? A.—No, sir, I would not.

Q.—You would not venture any opinion on it at all? A.—No sir, not at present.

Q.—Not as at present advised? A.—I have not had any advice on the matter.

Q.—How is it proposed to raise the fund according to your plan that is required, leaving out for the moment what that plan is? A.—There is no proposition at the present time before us, other than the proposition made by Mr. Landis.

Q.—And have you evolved no idea of your own? A.—Whatever ideas I may have had in the matter I have kept to myself, until such time as the executive come to consider the question.

Q.—We cannot wait for the executive, and if you have any views on this fraternal assurance we should have them now. We want the benefit of them? A.—I have given you them. I favor a reduction of rates, an increase in the older ages, and an increase in the reserve fund.

Q.—How would you bring about an increase in the reserve fund? A.—I would advocate an increase in the present rate of from 5 to 10 per cent.

Q.—Would you increase the rates to older members? A.—Yes.

Q.—Would you make them pay the difference between what they should have paid according to your rate and what they have paid? A.—That is one of the difficulties we have to contend with.

Q.—Would you like to be helped by legislation? A.—Yes.

Q.—Of what nature? A.—I think the Grand President has dealt with that question.

Q.—Let us have you deal with it now. What nature of legislation would you like? A.—I think it can be proven that the existing rates charged by any fraternal or all of the fraternal societies are deemed insufficient to protect all the members of the association, that legislation should be passed fixing a minimum tariff.

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Q.—Is the Hunter tariff, or the tariff in the Ontario Insurance Act, too high? A.—I think it is, sir.

Q.—Do you know of any tariff that you think is right? A.—The Fraternal Congress tariff is slightly lower than the Hunter tariff.

Q.—Would you take the Fraternal Congress tariff? A.—Even it, I think, is a little high.

Q.—Is there any other that you think is about right? A.—I know of no standard tariff.

Q.—Have you any tariff that is not a standard tariff that you could recommend to the Commission as being a proper tariff for fraternal associations? A.—At the moment I could not recall any particular one.

Q.—Then you practically agree that there should be some legislation preventing them starting at too low rates? A.—I do, sir.

Q.—I suppose starting at too low a rate is in the nature of an expense to get new business, to get started? A.—I do not know that it is. Fraternal societies are not at anything like the expense to obtain new business that straight line companies are.

Q.—Why do fraternal societies all start with their rates too low? A.—I cannot answer that question. I will answer as far as our own organization is concerned that their rates were higher than any of the other fraternal organizations in the country almost from its inception up to recent years.

Q.—That does not put them too high? A.—It does not put them too high. I may say to-day that out of a list of 13 or 14 fraternal organizations that I have been looking over recently our rates are higher than seven of them and lower in some cases than the balance.

Q.—Why is it that the fraternal societies all get on a very low basis and get into all the trouble about raising their rates later when they find they must have this reserve? A.—I think the fault lay possibly in the fact that in the early days in the establishment of fraternal organizations that there was not the data available to guide the founders of these organizations to enable them to place their rates on a proper level.

Q.—Where do they get that data now? A.—It is more easily available now than at that time.

Q.—That is actuarial tables and so on? A.—Yes.

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Q.—Is it your opinion that the rates of the society should be shoved up to these actuarial tables? A.—I have already said that I do not think they should go up that high.

Q.—Not as high possibly, but they should be based on actuarial computation and the liability of the company under the policy that is issued? A.—Less the possibility of lapses. There is no desire, or there should be no desire on the part of any fraternal organization to make money out of its members and all they should collect from them is all it actually costs to carry the insurance.

Q.—And for that you would take the mortality table that is best adapted for the circumstances, and then consider what the society may gain in the way of lapses? A.—Yes.

Q.—You do not believe in the theory that the reserve fund is in the pocket of the assured and can remain there safely and properly? A.—No.

Q.—You think the reserve fund, whatever it may be, should be in the hands of the Association? A.—It should, as trustees for those who contribute to it merely.

Q.—Keeping it for the insured? A.—Yes, for the purposes for which it was established.

Q.—Lapses are all profit with you? A.—Yes.

Q.—There is no allowance made to any agent of yours because a policy that he put in has lapsed? A.—None whatever. All expenses incurred in the bringing in of members into the Association is borne out of the General Fund; not a dollar is charged to the beneficiary fund.

Q.—What do you pay your organizers? A.—We are paying the organizers \$1,000 a year and \$3 per day expenses.

Q.—How many have you? A.—We have four.

Q.—Has that been the tariff all the time? A.—No, sir. For a time the salary was \$1,000, and the per diem allowance \$2, but expenses have increased and we have had to increase the per diem allowance.

Q.—Do your members bring in insurance? A.—Yes.

Q.—What arrangement is made with them? A.—We allow a bonus of \$3 a member for each member initiated.

Q.—Is there any opportunity under your rules for a member to get an allowance as organizer, too? A.—No,

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there is no bonus allowed where members are brought in through the influence of the organizers?

Q.—Have you a membership fee? A.—Yes.

Q.—In addition to the insurance payment? A.—Yes.

Q.—Sort of initiation fee, is it? A.—Yes.

JUDGE MAC TAVISH: How much?

A.—Fifty cents.

MR. TILLEY: Is that ever allowed by way of rebate? A.—The initiation fee proper is \$1; that is payable to the branch; the branch pays 50 cents of that to the head office of the Association. In no case is a rebate allowed on this 50 cents.

Q.—This statement shows the amount of your assessments or premiums received during each year from 1894 to the beginning of this year, does it not? A.—Yes.

Q.—To the end of 1905? A.—Yes. Q.—It shows the increase from \$125,002.96 in 1894 up to \$336,604.55? A.—Yes.

Q.—Can you say what your membership increased during that time? A.—In 1894 the membership was 10,051.

Q.—Give me each year after that? A.—In 1894, 10,051; in 1895, 10,403; in 1896, 11,116; in 1897, 11,848; in 1898, 12,145; in 1899, 13,403; in 1900, 14,598; in 1901, 15,975; in 1902, 17,088; in 1903, 18,159; in 1904, 19,333; in 1905, 19,750.

(Statement filed as Exhibit 390.)

Q.—Exhibit 390 also shows the amount of other sources of revenue, does it not? A.—You have your assessment receipts first and then your interest received from your bank? A.—Reserve fund.

Q.—And then the only other source of income you have is the initiation tax, the per capita tax, and amounts received for supplies, medical fees and bonds? A.—Yes.

Q.—What does it mean by bonds? A.—Guarantee bonds by which the officers of the association are bonded.

Q.—Who pays those fees? A.—The branches pay them.

Q.—They contribute? A.—They contribute.

Q.—And the medical fees, the branches contribute again? A.—That is paid by the candidate.

Q.—Does the candidate pay the full medical fee? A.—Yes.

Q.—How much is it? A.—\$1.50 and 50 cents. \$1.50 for the local

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medical adviser and 50 cents for the medical referee.

Q.—And that is regardless of the amount of the policy? A.—Yes.

Q.—The item of supplies and policies would be payments made to you by the local branches for what purpose? A.—For the supplies usually furnished to branches for the prosecution of their business.

Q.—You have those prepared and charged up as expenses? A.—They are charged up each month.

Q.—I suppose there would be a profit on that item for the general fund? A.—There was a profit in the past but there is no longer a profit under this head.

Q.—What head? A.—Supplies and policies.

Q.—Why? A.—The convention of 1904 abolished it.

Q.—At the time they re-arranged the principle of assessment? A.—Yes.

Q.—They said "when we make it 20 assessments, divided into 12 monthly payments we will abolish the supplies and policies?" A.—No, that had no bearing on it whatsoever. Prior to that time the per capita tax was \$1 per member per annum, and at that time they raised it to \$1.20 per annum, and abolished all charges for supplies or policies or any of these other items.

Q.—And initiation as well? A.—No, the initiation remains—the initiation and per capita tax.

Q.—They make together, how much? A.—About \$25,000.

Q.—\$25,000 for last year, a little over that? A.—Yes.

Q.—Has there been any mixing of the different funds of your institution except in the case of—? A.—None other than that stated by the Grand President.

Q.—And that is borrowing from the beneficiary fund to use in the expense fund? A.—To use for the payment of the last convention.

Q.—There is no provision in your legislation, as the President has said, whereby these funds must be kept separate in your Act of Incorporation? A.—There is as regards the sick benefit fund.

Q.—By the special Act? A.—Yes.

Q.—But not as to your beneficiary fund? A.—There is nothing in the other Act of Incorporation.

Q.—It is all governed by your own by-laws? A.—Yes.



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Q.—For that reason I suppose you think that it is not proper, if the trustees approve to mix the funds? A.—Well, there was no desire to mix the funds but we thought it in the best interests of the Association that we should use our own funds that were available at a lower rate of interest than that we would have to pay the bank. We could not see why we should pay the bank  $5\frac{1}{2}$  or 6 per cent. where the bank was only paying us 3.

Q.—You were furnishing us with a statement showing the amount expended each year for getting new business? A.—Yes.

Q.—In 1894 it amounted to \$325? A.—Yes.

Q.—In 1895 it was \$388.47? A.—Yes.

Q.—And continued at about \$300 to the end of 1897? A.—Yes.

Q.—And in 1898 it commenced at \$2,239.03 and went up to \$4,562.30 in 1899? A.—Yes.

Q.—And continued at between \$4,000 and \$5,000 until the end of 1894? A.—Yes.

Q.—In 1903 it was \$5,044, in 1904 it was \$5,594 and in 1905, \$5,332? A.—Yes.

Q.—That indicates very substantial growth in the last years does it not, going from \$325 up to \$5,332? A.—Well, it is explainable in this way: in the years in which the amounts run in the three hundred figures we had no organizers nor had we any bonus system in vogue. All that was paid at that time for work done for the association in regard to bringing in new members was the bare travelling expenses incurred by individual members who went out to organize new branches.

Q.—Is it right to say that during those years your average age was running up? A.—I think it is fair to say that.

Q.—And you were not getting in new members as you felt you should? A.—No sir.

Q.—So that from 1898 on you carried on a more vigorous policy of getting in new members? A.—We did.

Q.—Has that policy been extended since that date? A.—Yes.

Q.—In what year? A.—In 1905.

Q.—What was done then? A.—We engaged four organizers, whereas we had only two prior to that for the work of special organizers engaged from time to time for special work.

Q.—And that accounts for the large delay in 1905? A.—Yes.

Q.—I suppose it will be larger in 1906 again? A.—I do not think it will. I think it will be very nearly the same—yes, it will be larger.

Q.—The society must increase the amount it charges its members for expenses, must it not? A.—It is not usually so.

Q.—It must do it, must it not? A.—Not of necessity.

Q.—Why not? A.—Because increase in membership increases the contributions.

Q.—And you think the root of the evil is in not increasing the membership fast enough? A.—I do.

Q.—And that is the reason you are fishing for new members? A.—Yes.

Q.—In order to increase the amount that will come in by the per capita tax? A.—That is right.

Q.—It got a long way behind in 1904, did it not? A.—I do not quite understand your question.

Q.—The expense fund fell considerably behind by the end of 1904? A.—It did not fall behind very much.

Q.—Not in that year? A.—Not in that year or in any years prior to that. You have to bear in mind that in 1894 the expense account was then some \$7,000 or \$8,000 behind, so the fact that we are now about \$11,000 behind only represents an increase of arrears of about \$3,000 during these years. Some 12 years.

Q.—When you spoke of a bonus just now, do you mean the bonus that is allowed to one member for bringing in another? A.—Yes.

Q.—Of \$3? A.—Yes. I might say that the cost of management in 1894 was \$1.52 and in 1895 \$1.33.

Q.—Per member? A.—Per member.

Q.—Per member, no matter how much the insurance? A.—No matter how much the insurance.

Q.—You compute that per capita? A.—Yes.

Q.—Here is an item "members paying insufficient rates; moved and seconded that members who are indebted to the association through payment of insufficient rates from the time they join the association be required to pay the correct rate." What does that mean? A.—It means that in transferring the rolls from the old books to the new, I found that there were a number of members in various branches throughout the country who had been placed down upon the rolls at a rate different from what their age called for at the time of joining

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the association, and having made these discoveries we called upon the members to pay the amount they should pay under the tariff of rates established under the constitution.

Q.—And they were required to continue paying under those, then? A.—Yes.

MR. TILLEY: I will put in a form of a policy issued by this society. (Policy filed as Exhibit 391.)

Q.—You have printed on the back of it your rules? A.—Yes.

Q.—“Provisions of the preceding section are hereby declared to be notice to members.” (Reads rules.) That intimates that the assured expected to pay 15 assessments? A.—Yes.

Q.—But you had power to make him pay 24? A.—Yes.

Q.—So that on joining he would anticipate not being called upon to pay more than 15? A.—Oh no.

Q.—That would be his expectation? A.—That was the wording of the constitution prior to 1896 or 1898, I forget which. The wording of the constitution at the present time is somewhat different. These policy forms have been in stock since that time, and the wording of them could not be altered.

Q.—I suppose if a person desires to lapse in your society there is no prohibition on his doing so? A.—No, but we endeavour to prevent it as far as possible.

Q.—What means do you take to prevent it? A.—Since I have taken charge of the office of Grand Secretary I have written personally, letters to a great bulk of these members who were on the verge of lapsing, calling attention to the fact that they were liable to deprive their families of the benefit of the insurance that they believed they were protected by. I have always invariably adopted this course as far as my time permitted. Of course I am not called upon to do it, but I have done it.

Q.—Without any inquiry as to the health of the insured at the time? A.—I have not made that inquiry in some cases, and in some cases I have.

Q.—You publish a paper called the Canadian, do you not? A.—Yes.

Q.—Is it subscribed for by members? A.—It is not. It is furnished free to the membership.

Q.—That is part of the benefits they receive by payment of their dues? A.—Yes.

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Q.—It is considerable expense to the association? A.—It is, but I think it is worth the expense.

Q.—What expense does it involve?

A.—It involves an expense of about \$230 per month at the present time, with an initial membership of about 20,000.

Q.—I see by the minutes there are suggestions as to how to get it on a self-supporting basis? A.—Yes. It has been considered by the executive, but it was thought that the class of advertisements that could be obtained for a paper of that sort would not warrant us opening our columns to them.

Q.—You have had no advertisements? A.—No, we have had applications but we thought we could use the columns to better advantage for the members and for the Association as a whole by keeping out the advertisements.

MR. TILLEY: I will put in a circular showing the rates charged in the case of sickness insurance. (Exhibit 392.)

Q.—You say these rates were considered by the Department at Ottawa and approved? A.—Yes.

Q.—They are contained in a pamphlet with the rules relating to that branch all set out in full there? A.—Yes.

Q.—Have all the members a right to vote for the delegates that go to your Grand Council? A.—Yes; the course of procedure is as follows: Every branch of the Association is entitled to representation at our conventions.

Q.—What is the representation allowed? A.—The representation is one delegate to each branch and every member of the branch has a right to vote in the selection of that delegate.

Q.—Then he must vote, of course, in person? A.—He votes in person.

Q.—There is no such thing as voting by proxy? A.—No, sir.

Q.—And has there ever been any thought of reducing the number of delegates in order to lessen the expense? A.—There have been repeated proposals made to reduce the representation in order to reduce the expense.

Q.—But that would disfranchise some branches? A.—That was one of the chief reasons urged against it, that any tendency towards the reduction of representation would

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necessarily disfranchise a certain section of the Association, and it was never demonstrated how much would be saved by it.

Q.—The computation whereby Mr. Landis came to the conclusion that a fund of \$6,217,248 was required at the end of 1903 was based on twelve assessments? A.—It was based on seventeen of the old rate, whereas the present rate is twenty assessments at the old rate, or three more assessments.

Q.—How is that he refers to twelve assessments? A.—It is seventeen assessments divided into twelve.

Q.—Now you have twenty assessments divided into twelve? A.—Yes.

Q.—So that you have three more assessments than Mr. Landis took into his computation? A.—I am not quite certain on that point that Mr. Landis counted it at twelve assessments, but I think possibly it was seventeen, because that was the number we were collecting at that time. The reading of it will hardly give you a clear answer to it. If we have the literal reading of the statement made by Mr. Landis it means twelve assessments at the old rate.

Q.—But what you understand that to cover would be seventeen assessments divided into twelve payments? A.—I would take it that he ought to have so put it, but he may have only taken it at twelve assessments at the old rate.

MR. GEARY: I wanted to know what competition the organizers of your Society meet with in securing new members? A.—They meet with the competition of the organizers of the other fraternal organizations doing business in the country.

Q.—That is for the most part the competition they meet? A.—Yes.

Q.—Not the agents of what you call the old line companies? A.—Oh yes, of course we have got them to compete with.

Q.—To what extent do you touch the same class of people? A.—Perhaps not to a very large extent.

Q.—And what is the argument of your organization in favour of the system you propose to follow? A.—The argument is that we simply ask them to pay what it costs to carry the insurance.

Q.—That is what you urge on them, it is cheaper because of expenses— A.—There is no desire to make a cent

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of profit out of any member of the Association.

Q.—You represent to them you are charging them fully enough to cover the cost of insurance? A.—No, we have not—

Q.—Well, enough then? A.—Yes, that we will levy, we reserve the right to levy.

Q.—And that will not cost as much as if he went into the old line company? A.—Yes.

Q.—And that is the argument that tells with those men? A.—Yes.

Q.—It is cheaper and it appeals to them on that account? A.—Undoubtedly.

Q.—You must cast aside the fraternal element for the moment? A.—Yes, of course the fraternal element is a large factor in all these organizations.

Q.—But after all it is the money that talks at the moment of taking out insurance? A.—Viewing it from the insurance standpoint it is, but in my opinion the fraternal element has perhaps done as much good to those who are in the insurance—

Q.—I want to give due weight to all that in the proper place, but is a man helped joined the C.M.B.A. by the fact that it is a fraternal organization? A.—Undoubtedly.

Q.—And the insurance is only worked in with that? A.—Yes, men who join the C.M.B.A. for—

Q.—What I want to get at is the fact of the premium being so much lower is the main thing inducing the men of that class to take the insurance? A.—No, it is not.

Q.—Though you are much lower? A.—Though we are much lower.

Q.—Then in competition with other societies does the question of price enter pretty closely into the case? A.—With some people it does.

Q.—And is there any fixing of rates to meet the competition? A.—No, sir; there is no variation of rates under any circumstances.

Q.—Would you say that originally the rates of yours or any other company may have been fixed with the idea to get on the same basis as the other societies doing business at the time? A.—I would not like to say whether it would be so of any other organization; speaking for our own, I would say it was not. I believe all fraternal societies started off doing business believing they were on



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an honest basis. I would not care to pass a reflection on any other society.

Q.—You would not think the suggestion a correct one that possibly these rates were fixed by competition among themselves? A.—I do not think so.

Q.—You spoke of a \$3.00 fee? A.—Yes.

Q.—That is a membership fee paid by the initiated? A.—No, sir, it is a bonus paid out of the general funds of the Association to a member of the Association who brings in a new member.

Q.—Does the initiated pay a membership fee? A.—Yes, one dollar.

Q.—Fifty cents to the branch and fifty cents to the head office? A.—Yes.

Q.—The head office fee is never rebated? A.—No.

Q.—Can you speak of the branch, the amount that goes off in payments— A.—I don't know for a fact as to any; the branch has control of its own funds; there is a membership fee of twenty-five cents paid in to each branch.

Q.—And there is an initiation fee? A.—Yes.

Q.—That may be for all you know knocked off for a month or two? A.—It may.

Q.—In competition between two branches? A.—There may be competitions.

Q.—There are competitions between branches? A.—I would be glad to see more of them.

Q.—For oysters? A.—Yes.

Q.—And during these competitions the branches knocking off the fee? A.—Yes, but there has never been any rebate as far as the head office is concerned; we have always exacted the full amount.

MR. TILLEY: I had hoped to be able to take one or two other companies, including the Woodmen, this week; but I have word that they are rather surprised at the amount of work that is involved and cannot be ready. I have verified that information so that it will be impossible to take that company up; or any other company this week. If your Honours will adjourn to take up the Great West in Winnipeg on Tuesday next then if we can arrange for the Woodmen at a convenient date afterwards it will be all right, or probably they may have to stand longer, but that can await developments.

Great West Life.

(J. H. Brock, Ex'd.)

MR. GEARY: It seems the suggestion of Mr. Tilley is the natural one under the circumstances. I entirely concur in what he says

—The Commission adjourned at 1.15 p.m. Tuesday, July 17th, to meet at Winnipeg, Tuesday, July 24th, at 10 a.m.

FIFTY-EIGHTH DAY.

Winnipeg, July 24th, 1906.

THE GREAT WEST LIFE ASSURANCE COMPANY.

Present:—His Honor Judge MacTavish, Chairman; Commissioners J. W. Langmuir and Mr. A. L. Kent.

Mr. W. N. Tilley for the Dominion Government.

Mr. G. R. Geary for the Province of Ontario.

MR. TILLEY: I propose to commence to investigate the Great West Life Assurance Company. Mr. Patterson, the Deputy Attorney General, is here to represent the Province of Manitoba, and Mr. Han, the Superintendent of Insurance for the Province, is also present this morning. I propose to commence with the examination of Mr. Brock, because I think probably we can get almost all the information we want from him. Mr. Arbuckle Jardine, the Secretary of the Company, is present, and Mr. Brock thinks he will require a good deal of information from him.

JUDGE MacTAVISH: He may sit in a convenient place, and we will swear him at the same time.

(Jeffrey Hall Brock and Arbuckle Jardine were sworn.)

JEFFREY HALL BROCK—Examined by Mr. Tilley—

Q.—You are the Managing Director of the Great West Life Assurance Company? A.—Yes.

Q.—And you have occupied that position ever since the company was incorporated? A.—Yes.

Q.—That was in the year 1892? A.—Yes. We got our Act of Incorporation in 1891, and the company was formed and commenced operations in 1892.

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Q.—Did the company at any time derive any authority from the Province of Manitoba, or has it always been acting under its Dominion charter in its business? A.—Always under its Dominion charter.

Q.—Did it ever take out a Provincial license as distinct from the general license of the Dominion? A.—No. Our license is registered here, like all other companies. We are treated as a foreign company here.

Q.—In the Province of Manitoba you are treated as a foreign company? A.—Yes.

Q.—Then your Act of Incorporation is 54 and 55 Victoria, chapter 115? A.—Yes.

Q.—I notice that you are one of the persons named in the list of incorporators? A.—Yes.

Q.—Who was the person that promoted the company? A.—I was.

Q.—Were you from the first associated with any of the other directors, or did you interest the other directors after you had evolved the scheme or not? A.—I interested others and arranged with them to sign the application for the charter.

Q.—What experience had you had in life insurance business before that time? A.—None in the management of a company.

Q.—Had you in any capacity in life insurance before? A.—I had acted as an agent.

Q.—As a field agent? A.—Yes, as a city agent and field agent; acted for the Sun Life.

Q.—In Winnipeg? A.—In Winnipeg.

Q.—For a number of years before? A.—Yes, for some years before, and my first experience in life insurance dated back to 1869, when I represented a company in Troy, New York.

Q.—Well, then, I suppose that it is proper to say that you had no knowledge of insurance business, except as an outsider would get it or as a field agent would get it? A.—Beyond such as I would get from studying.

Q.—You had made some study of it? A.—Yes, I had.

Q.—In what business were you engaged before you organized this company? A.—In fire and life insurance and in loaning money.

Q.—In Winnipeg? A.—I was general agent for the Canada Permanent Loan & Savings Company, es-

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tablished all their agencies throughout this province and the territories, and partly in British Columbia, and represented five of the largest fire insurance companies with a partner.

Q.—Who was the partner? A.—Mr. Carruthers.

Q.—The firm was Carruthers and Brock? A.—Yes.

Q.—Will you tell me what prompted you to give up that business and take on the life insurance business? First let me ask you, was it your intention when you started out to organize the Great West Life, was it your intention from the first to become the manager and the active man in the company? A.—No, I had no intention of taking the management of the company at all.

Q.—What was your intention in that regard? A.—My intention was that I would get on the Board of Directors probably, and be a shareholder in the company.

Q.—Securing the service of some other person as manager? A.—Securing an experienced manager, if we were able to do so.

Q.—And continuing your own fire insurance business? A.—Continuing the fire insurance and loaning money and real estate business.

Q.—When did your plan change in that regard? A.—Well, I made enquiries—well, it changed gradually; in the first place it was thought by the others who were associated with me that from my knowledge of the people in this country, extending over a great many years, that I would be better able to get the stock subscribed than an outsider.

Q.—Then from the first it was your intention to make it a Manitoba company, so to speak? A.—A Manitoba company.

Q.—To try and get your stock subscribed here? A.—Yes.

Q.—And make a local interest in the company from the standpoint of the shareholders? A.—Or, as I expressed it, we had at that time, from the report of the Board of Trade, about a million dollars a year going out of the country for life insurance premiums and being invested in other companies at a very much lower rate of interest than we were borrowing money for here.

Q.—Are you speaking now of money going out to foreign companies as

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distinct from Canadian, or do you mean now with regard to the Province of Manitoba? A.—I think I used the words "outside companies;" I meant to Great Britain, to the United States, and to Eastern Canada.

Q.—So that you thought that you could get up a company here, partly, would it be fair to say, from the idea that there was a fair field for a new company, and partly from the idea that there would be a local interest in the company that would assist you in promoting it? A.—Perhaps, Mr. Tilley, if I give you the prospectus, it will answer your question more definitely than I can. (Prospectus produced.)

Q.—I will put in a copy of the prospectus. Exhibit 392— A.—Shall I read it?

Q.—Probably I had better read it; you might put the emphasis too much on the wrong words? A.—It is a good thing to be suspicious at the start; perhaps if you do not emphasize it correctly I may explain it.

Q.—You will have all the opportunity. It is headed "The Great West Life Assurance Company, capital authorized \$400,000, with power to increase to \$1,000,000, with shares of \$100 each." That clause in the prospectus as to the capital stock follows your Act of Incorporation? A.—Yes.

Q.—Which incorporated you at the time for \$400,000, but gave you power to increase it to a million? A.—Yes.

Q.—Then it gives the provisional directors, and it says, "In placing this stock upon the market it is not necessary," etc. (Reads prospectus). That was the only prospectus the company ever issued? A.—That is the only prospectus the company ever issued.

Q.—There was a subsequent increase of the capital stock to the million mark? A.—Yes.

Q.—But no prospectus at that time? A.—When the stock was increased?

Q.—Yes? A.—There was a letter sent out.

Q.—Nothing that you called a prospectus? A.—No.

Q.—Have you a copy of the letter you sent out at the time of the increase? Perhaps you could get that for us, and we could refer to that later? A.—Yes; there was a letter sent out. The copy of the letter is on the Minutes which you have.

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Q.—We will get the copy and mark it as an exhibit. You speak of the death rate in Manitoba. Was it your intention to confine the operations to the Province of Manitoba? A.—No, sir.

Q.—Or to any particular province of the Dominion? A.—No.

Q.—Or to the Dominion itself? A.—No.

Q.—That is, your idea was to extend your business just the same as if you had been a company with a head office in Montreal, for instance? A.—Only to a very much greater extent than if the head office had been in Montreal, because we thought we had an opportunity of investing our money at so much better advantage than they would have in Montreal.

Q.—I am talking now as to the death rates. Would there be anything to make the death rate of your company different from the death rate of any other company? A.—Yes, because the proportion of business we did in the West would be naturally very much larger than the proportion of other companies, from our company being a home company.

Q.—You did not intend in any way to confine your business to Manitoba? A.—No, no.

Q.—So that you would in other countries and other places experience the same death rate as other companies? A.—Yes.

Q.—And other companies carrying on business in Manitoba would experience the same death rate as you there? A.—Yes, but we would have a larger proportion of our business in the west.

Q.—By reason of not being a western company? A.—Yes, than other companies would have naturally, and experience has shown that is the case.

Q.—You have a larger business in Manitoba? A.—Yes, than any other company.

Q.—What facts had you before you at that time to compare the death rate in Manitoba with the death rate in any other Province? A.—The ordinary mortality statistics.

Q.—Of what? A.—Of Manitoba.

Q.—Compiled by whom? A.—Compiled by the Government.

Q.—What was the difference between Manitoba and any other Province? A.—It was too indefinite to



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give any absolute statistics, but they intimated—

Q.—But definite enough for a prospectus? A.—But definite enough to intimate what it was without being exact enough to call—they were not prepared by an actuary.

Q.—Was the death rate in Manitoba any different from the death rate in Ontario? A.—I suppose it would be a difficult matter, from the statistics we have in Canada, to be sure of that, but the general opinion was at that time, and is still, after 14 or 15 years have passed, that that is the case.

Q.—You say here “There is no country with a lower rate of mortality, if in fact any as low”? A.—No, we think we have about the healthiest climate in the world here.

Q.—Have you anything on which to base that statement? A.—The climate and the general view of the medical profession and others.

Q.—So that you form that not from any statistics on the subject, but from your local conditions? A.—Well, general statistics, but no definite actuarial statistics.

Q.—The stock was issued, I suppose, at par, without any premium? A.—Without any premium.

Q.—That invention had not then been patented or discovered? A.—No, the company had not discovered the necessity for it at that time. When the other companies were organized—

Q.—Had they not discovered the necessity, or had they not discovered the idea, which. A.—Well, when the first companies were started, no reserve was required by the Dominion Government, so that the companies starting did not have a reserve as a liability. They called that surplus.

Q.—They had no liability created by the Statute, requiring them to set aside a sum to answer their liability on the policies? A.—No.

Q.—Was your company the first company that was incorporated after companies were required to set aside that reserve? A.—No.

Q.—Then other companies had met with that difficulty of putting up the reserve? A.—The difficulty or the objectionable features, and the effect of the difficulty had not been fully appreciated.

Q.—Your common knowledge of these matters, I suppose, is now wider than it was at that time? A.—Experi-

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ence teaches us things that probably we do not learn in any other way.

Q.—You issued the stock subject to a call of 25 per cent. at first? A.—Yes.

Q.—How did you obtain subscription for that stock? A.—By solicitation.

Q.—Through agents? A.—No, I made all the solicitation myself.

Q.—Were you paid a commission? A.—No.

Q.—Was it done through you or your firm? A.—Through me personally.

Q.—While you were carrying on your other business? A.—I still retained my interest in my business for a time.

Q.—How long did you retain that interest in the business? A.—I could not give you it exactly: for some little time after even I was giving my whole time to this.

Q.—Months or years? A.—Perhaps several years.

Q.—Three or four? A.—I think so; I do not remember the date. I finally sold out my interest in my business to my partner, and my name remained in the business for a number of years after I had sold out my interest to my partner.

Q.—Without desiring to go into your other matters any more than is necessary to bring out your connection with the insurance company, is it right to say that your full partnership rights continued in the old firm for three or four years after this company was formed? A.—Oh, yes. I had not decided to remain permanently as manager of the company.

Q.—Was the firm interested in any way in your position as manager of the Great West Life? A.—Yes.

Q.—The firm of— A.—Yes, any salary I received went to the firm of Carruthers and Brock.

Q.—I should like if you could fix the exact date of that, Mr. Brock? A.—I can very easily.

Q.—After the adjournment you will be able to do that? A.—Yes.

Q.—Then to that extent the organization of the Great West Life was a firm matter rather than an individual matter of yours? A.—Well, you have the facts. you can draw your own conclusions.

Q.—I suppose that when you separated yourself from the firm it was on the understanding then that you should take the Great West management and fees to yourself, and some

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provision for breaking away from the old firm without going into any more detail than that of the transaction? A.—Yes. I have no objection to tell you the story. I sold out my interest in the business, and received from the firm \$7,500, from my partner, payable to me \$1,500 a year for five years; that was for my interest and good will of the business, and then from that date the salary of the Great West Life came to me only.

Q.—If your retiring allowance, so to speak, was worth that, it is fair to say your old business was a good substantial business? A.—Yes; for the previous 12 years before starting this company, my income from that business had averaged over \$7,500 a year.

Q.—Your expectation was, I suppose, that the insurance business would be a good deal better? A.—The Life insurance?

Q.—Yes? A.—Oh, no. I had no intention of going into it till I was drawn into it.

Q.—But when you finally broke away? A.—No, I knew it would not be any better than the fire insurance. It was the view of the directors, and perhaps myself also, that if I left the company it would be injurious to the company, and perhaps I could not very well; I suppose, on the theory of Abraham Lincoln, that you could not swap horses crossing the stream, it would have been a difficult matter for me to retire without damaging the company.

Q.—It was not your idea in giving up your business and going to the Great West Life, to better your position? A.—No.

Q.—Or future improvement in your business? A.—I did anticipate the company would make up to me, if they were able to, and did a sufficiently profitable business to justify me giving my time to the company's interest, when I could have given it more profitably to my own firm.

Q.—Your salary has got up to the sum of \$10,000 at the present time? A.—My salary for last year was \$10,000. I will give you a statement of it. We have it right here.

Q.—Have you made any summary of head office salaries to show how they have advanced from year to year? A.—There are the details from year to year; they are in detail for each year, all the head office salaries.

Q.—Then your salary commenced in 1892 at \$2,000, and then for the next

three years it was \$3,000, for the next two years \$4,000; then for the next year \$5,000; 1899 and 1900 \$6,000; 1901 and 1902 \$7,500; 1903, 1904 and 1905, \$10,000. Is there any arrangement for 1906? A.—Yes.

Q.—What is it? A.—\$12,000.

Q.—When was that arrangement made? A.—This year; it is in the minutes, of which you have a copy.

Q.—I think we were not given a copy of the 1906 minutes? A.—Well, you have the original here.

Q.—Your salary was fixed at \$12,000? A.—Yes, and I am paid \$10,000 additional as a bonus.

Q.—When? A.—This year.

Q.—What month? A.—I forget what month; February or March; February I guess.

Q.—Was that done under any arrangement as to the time limit, \$12,000 or any other sum? A.—Every employee of the company is hired on a monthly basis.

Q.—And you are hired on a monthly basis? A.—Yes.

Q.—There is no yearly contract or a contract for a term? A.—No; so much a month; they give me \$1,000 a month this year.

Q.—Can you fix, by reference to the salary you were receiving at the time when you separated from your old firm, and were to be allowed \$1,500 a year for five years? Was it when you were getting \$3,000, \$4,000, \$5,000 or \$6,000? A.—I think it was when I was getting \$3,000; I think it was during that period.

Q.—Was that \$1,500 per year made with reference to your old business? A.—What \$1,500?

Q.—Taking up \$7,500 at the end of five years which you were paid by your old firm; was that fixed with reference to the amount you would likely be receiving for a few years? A.—No, that was supposed to be the value of the business. I might have sold it out to somebody else besides my partner; in fact, I was negotiating with another party for a while on the same basis.

Q.—Tell me how it came you were paid a bonus of \$10,000? A.—Well, because the directors thought I was entitled to it.

Q.—How long had they been thinking that way? A.—You will have to ask them.

Q.—I think you will be able to tell me?

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MR. LANGMUIR: Was that for 1905?

MR. TILLEY: No, for 1906.

MR. LANGMUIR: Then it was before the close of the year?

MR. TILLEY: Q.—Was it a bonus for the half year, or a general bonus? A.—On account of the loss that I had sustained by accepting a much smaller salary than the income I had been earning.

Q.—Was there any other understanding with you at the time you surrendered your own partnership and took the managership of this company that that would be made good to you some time? A.—The directors had no knowledge whatever of which I surrendered the business or sold it out.

Q.—That was a private matter with you? A.—Yes.

Q.—Was there at any time, without regard to this particular date, an arrangement between you and the directors that some bonus or allowance should be made to you, or increased salary, to make up for what you thought was a small salary in the early years? A.—Nothing of the kind was ever mentioned.

Q.—During the time that you were still a member of the firm of Carruthers and Brock to what extent were you giving your services to that firm? A.—Oh, after the business started I found the life insurance business took up my whole time. I was travelling as superintendent of agencies, appointing agents, and everything of this kind. It took up, I suppose, between eight and nine months of the year that I was away from the city on the exclusive business of the Great West Life. As a matter of fact, I did not give any of my time after the first of the year to the business of Carruthers and Brock.

Q.—Then it is right to say that there was no understanding between you and the directors that a bonus should be given you? A.—It certainly is right to say so, or I would not say so.

Q.—And you do say that this idea was entirely spontaneous on the part of the directors? A.—What do you mean?

Q.—Giving you this bonus? A.—I do not suppose it was.

Q.—Was it prompted by you? A.—Yes, I told them I thought I would like to consider the question of allowing me something in addition.

Q.—When did you first bring that up with the directors? A.—I think the week before the resolution was passed I mentioned it to them.

Q.—Had it never been discussed before that? A.—By the directors?

Q.—Yes and you? A.—Had I never spoken to any of the individual directors or the Board?

Q.—Yes? A.—Yes, I had spoken to an individual director.

Q.—Which one? A.—Mr. Nanton.

Q.—Any others? A.—I do not think so.

Q.—How long before had you spoken to him? A.—I had spoken to Mr. Nanton before the end of the year.

Q.—1905? A.—Incidentally we got talking about the matter and incidentally I expected him to bring it up, but he was away in the old country, and I brought it up myself.

Q.—It had been present to your mind ever since the company was organized? A.—Yes, and I was waiting until the company was in such a financial position that it could repay me for the work I had done for it and made no charge for.

Q.—Did that financial condition just happen in the year 1906? A.—Well, you cannot say it just arrived then, but I thought that would be the proper time.

Q.—You were getting \$10,000 a year? A.—Yes.

Q.—A fair salary? A.—Yes, a fair salary, a good salary.

Q.—One might think there would be a little compensation in that round sum for a little smaller salary in previous years? A.—Well, if the assumption would be that our old business would not have increased; as a matter of fact, if I had remained in the old firm it would have saved me at least \$75,000; I would have derived from that firm at least \$75,000 more than I have got from the Great West Life up to the present date.

Q.—Your partner must have done very well? A.—My partner has done very well.

Q.—We are glad to hear that. The fire insurance commission must be better than the Life Assurance Companies? A.—I have no hesitation to say, in the combined business, that the fire insurance company premiums are very much easier earned and give more profit.



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Q.—Probably they do not give the rebates the other does? A.—They have to pay for services.

Q.—But the life insurance companies have got far beyond that? A.—So I hear.

Q.—We came west to tell you? A.—I hope the result of the investigation will be to stop it.

Q.—I hope it will. Would you let me have the minute of the resolution that was passed in 1906? A.—You mean as to my salary?

Q.—Yes? A.—That is it.

Q.—The matter is referred to in the Minute of the Executive Committee of the company held on Tuesday, February 6th, 1906; there were present Mr. A. Macdonald, Mr. G. W. Allen, P. C. McIntyre, Hon. J. H. Macdonald, J. H. Brock, G. F. Galt, G. R. Crow, and D. H. McMillan, and a report of the sub-committee was presented; when was that sub-committee appointed? A.—At the previous meeting, I think.

Q.—Of the Executive? A.—Yes.

Q.—I do not see it here? A.—It appears the sub-committee was appointed by the directors meeting.

Q.—Then the committee presented a report, which was adopted on motion of Mr. A. Macdonald, seconded by Mr. E. C. McIntyre, which fixed the fees for attendance at directors' meetings at \$10 per meeting, non-resident directors to be paid a fee of \$50 and and \$10 for each meeting, and the President to be paid \$1,000 in lieu of fees, and the Chairman of the Executive Committee to be paid a fee of \$200 in addition to the fees for attendance at meetings, and that the salaries be fixed as per list below: J. H. Brock, Managing director, \$1,000 per month, and \$10,000 cash on account of the reduced salary in the early years of the company; A. Jardine's salary \$416.66 per month, and the accountant \$225 per month, and inspector of investments \$175 per month, and the claims and loans clerk \$125 per month? A.—The duties after that are just roughly defined.

Q.—Then those are the salaries that appear to be over \$100 per month? A.—Yes.

Q.—Who were the members of that committee? A.—In addition to those you have marked down there?

Q.—Yes. Who were the members of this special committee?

MR. JARDINE: We have sent for the Minute book.

A.—I think it was Mr. McIntyre and Mr. Coe, the mover and seconder.

Q.—Macdonald and McIntyre were the mover and seconder. We will have to get that later. Has that \$10,000 been paid to you? A.—Yes.

Q.—I suppose at the time it was confirmed? A.—After the time it was confirmed—well, after the resolution was passed.

Q.—Right immediately following, I suppose? A.—Yes.

Q.—Those salaries that I mention were for the year 1906? A.—Yes.

Q.—That does not apply to your branch managers at Toronto and Montreal? A.—Yes, it does.

Q.—But the salaries I gave do not include those, because your Toronto branch manager would be getting over \$100 a month? A.—Yes.

Q.—He was up to \$400 a month? A.—Yes.

Q.—And he was given a special contract? A.—Yes; he is the only one who has a yearly contract; that was done by resolution of the Board.

Q.—And your Montreal manager got over \$100 a month? A.—Yes.

Q.—Was the resolution of the Executive Committee ever adopted by the Board of Directors? A.—It will be read at the meeting of the Board of Directors for adoption at the next meeting of the Board of Directors, if one has occurred since.

Q.—None has occurred since? A. I do not think so, but there was only one other who attends the directors' meetings besides those who are on the Executive Committee—

Q.—In a large matter like that, would it not have been rather courteous to the directors to delay the issue of the cheque for \$10,000? A.—There is only one other director, Mr. Curry, of Brandon.

Q.—You are sure he would not object? A.—I think I may say so; he is a pretty reasonable man.

Q.—Probably that would be indicative of an objection, if he was a reasonable man? A.—You probably had better consult him; he is not hard to find.

Q.—Would it not be better, if you were drawing bonuses from a company, that every director should be consulted before the cheque was issued? A.—I do not see any absolute necessity for it.

Q.—Did you ever consult your shareholders about it? A.—You asked me what our custom was. Our custom

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was every year that the Executive Committee after the annual meeting fixed the salaries for the year, and their resolutions have been adopted.

Q.—Here is a bonus of \$10,000 paid in one year, and that was rather an exceptional matter? A.—Yes.

Q.—You were considering it in 1905? A.—Well, I cannot say that I was considering it. I was considering it for some time before that.

Q.—You were considering the advisability of bringing it to a head, because you were then talking it over with Mr. Nanton? A.—Yes.

Q.—Your annual meeting of the last year was held on what date? A.—Early in February; do you mean shareholders?

Q.—Yes? A.—Yes.

Q.—Early in February? A.—Yes.

Q.—Before February 6th or after February 6th. A.—It must have been just before; that is the Executive Committee meeting, after the annual meeting.

Q.—After the annual meeting? A.—Yes, after the new directors were appointed.

Q.—Then this sub-committee must have been appointed before the shareholders? A.—May have been.

Q.—Must have been, because the last meeting of this Executive Committee was January 19th? A.—The directors must meet immediately after the shareholders' meeting for organization and to appoint this committee.

MR. TILLEY: Can you tell us how that was, Mr. Jardine?

MR. JARDINE: February 9th is the date the shareholders' meeting.

WITNESS: The shareholders' meeting was on the 9th February.

MR. TILLEY: Was this report ready at the shareholders' meeting, Mr. Jardine? Have you the minutes of the shareholders' meeting.

MR. JARDINE: No, that report was not ready.

MR. TILLEY: Was this adopted at the shareholders' meeting?

MR. JARDINE: No.

MR. TILLEY: Nothing said about it at all?

MR. JARDINE: Nothing whatever.

Q.—Then, Mr. Brock, three days after this resolution was passed the shareholders were convened and met? A.—Yes.

Q.—And apparently this was not disclosed to them? A.—No, apparently not; we never read the salary list there.

Q.—You are governed by the Company's Clauses Act, are you not? A.—Yes.

Q.—And under that Act, before a payment can be made to the directors or any of them, it must be confirmed by the shareholders? A.—No.

Q.—Not at all? A.—No, that is not correct.

Q.—Why not? A.—Because the Companies Clauses Act does not say so.

Q.—Have you the Companies Clauses Act here? A.—Yes, I have looked them up since the accountant called my attention to it.

Q.—How many shareholders were present in person at your last meeting? A.—Quite a large number; I do not remember exactly.

MR. JARDINE: About 30 or 40.

MR. TILLEY: I mean other than directors or persons who were on this committee that approved of this transaction?

MR. JARDINE: There would be about twenty-five.

MR. TILLEY: Substantial shareholders?

MR. JARDINE: Yes, sir.

MR. TILLEY: Probably it would be well to have a list of those.

MR. JARDINE: I will get them.

MR. TILLEY: And the shareholders of all those persons?

MR. JARDINE: Yes.

Q.—Have you the Act here? A.—Yes; this is the clause you refer to.

Q.—No, I do not mean that; this is not the clause I mean at all. This is a memo of extracts from the Act?

A.—Our solicitors copied those out of the Act and furnished them to us.

Q.—Your by-laws of the Board of Directors have been under the clauses you have copied here; it provides that the directors may make by-laws not contrary to law regulating the number of directors, their term of service, to the amount of their stock qualifications and their remuneration, if any, and then follows the clause that every such by-law, unless it is in the meantime confirmed at the general meeting of the company duly called for that purpose, shall only have force until the next annual meeting, and in default of confirmation thereof, and from that time only, cease to have force? A.—Yes.

Q.—Your shareholders' meeting, your annual meeting, was three days after that by-law was passed, and that by-law, unless confirmed then,

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would cease to have any force and effect? A.—If it were a by-law. We did not pass any by-law; this was simply a resolution.

Q.—But this is one of the things, the number of directors, the term of service, amount of stock qualification and the remuneration—that is one of the things to be governed by by-law? A.—It does not say so; it says we may pass by-laws for it, but we have not done so.

Q.—It says a by-law passed for that purpose shall only have effect until the next annual meeting, and when you substitute resolution instead of by-law, you think it gives the directors power to the exclusion of the shareholders, because they do not do it by by-law; is that your argument? A.—It seems to me there are a great many things we do that we could not very well pass by-laws for.

Q.—Would it be a nice thing, if your shareholders are meeting, the persons who take the profits of the company are meeting within three days, that you should disclose to them that you are getting a bonus of \$10,000, before you actually withdrew it from the company? A.—If I thought there would be any chance of the shareholders objecting to it, then I think it should have been brought up.

Q.—Then if there was no chance, all the easier to get it through? A.—I have no doubt it would go through with the shareholders, more rapidly even than the directors. I might say that at one or two previous meetings some of the shareholders stated that they had made enquiries, and that they found out the salaries that were being paid, and that they thought the directors should take it into consideration the increasing of those salaries.

Q.—It is one thing to increase the salaries, but from the information that the policyholders and shareholders had got they were under the impression, or had naturally to be under the impression, that you had given your services for \$2,000, \$3,000 and \$4,000, as the progressive by-laws shows? A.—No, they had not those at all. They did not know what I was getting, except one or two of them who asked.

Q.—The amount of your expenses was shown in the blue book? A.—Yes.

Q.—And now you are adding \$10,000 this year out of the proceeds

of the company with reference to an item which really was old expenses; have not the policyholders who are sharing in the profits of your company a right to see that the old expenses are not borne out of the profits the policies are now earning? A.—The policyholders have no right to say that work that was expended in earning these profits shall not be paid, if they were really due.

Q.—But they were paid and there is nothing due, and this is a pure gift? A.—It is a recognition of work done.

Q.—We have all the facts about it, and I suppose that this payment to you has been dealt with in the same way as every payment: that is, the Executive Committee has purported to fix by resolution from time to time what is to be paid, and there is no formal by-law passed, and the shareholders are not consulted? A.—We have formal by-laws on certain subjects.

Q.—But on this subject? A.—On this subject by resolution every year.

Q.—I think this is not the only case where at the end of the year something has been paid to you in addition to what was allowed at the beginning of the year? A.—Yes, on several occasions the directors paid me at the end of the year.

Q.—\$1,000? A.—\$1,000, and in one instance \$1,500; that is included in the salaries you have read out.

Q.—That is treated as salary? A.—Yes.

Q.—That is to say, you would go on drawing during the year at the rate you had been getting the previous year? A.—Yes.

Q.—And at the end of the year the directors would increase it by \$1,000, and in one case \$1,500? A.—Yes, and they did the same thing with some of the branch managers.

Q.—The branch managers are not responsible for the work of the directors in the way it is done as much as the managing director? A.—I mention that to show the directors consider the services rendered—

Q.—That explains as far as possible the way the salary got from \$2,000 to \$3,000; just in that method, by adding the \$1,000 at the end of the year? A.—I forget now; it ran for several years at \$3,000.

Q.—That would be no increase at the end of the year? A.—No.



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Q.—But it got up to \$4,000; that would show that at the end of that year they add \$1,000? A.—Yes.

Q.—In the same way that it rose from \$4,000 to \$5,000? A.—Yes.

Q.—And then a \$1,500 bonus? A.—Yes. The accountant was given the details, and a statement was shown to him showing the salary paid for the year, instead of putting it in two items, and he said that was the best way to do it.

Q.—That is what we asked for months ago? A.—That was sent down in March.

Q.—Mr. Jardine's salary was \$1,800? A.—That was for a half year.

Q.—It was at the rate of \$1,800? A.—Yes.

Q.—And then \$2,100 for 1899? A.—Yes.

Q.—1900, \$2,400; 1901, \$2,700; 1902, \$3,400; 1903, \$3,500; 1904, \$4,000; 1905, \$4,500; and this year it will be— A.—\$5,000.

Q.—So that his salary is progressing nicely, is it not, about \$500 a year? A.—Yes; you will remember he worked for nine years at \$150 a month, when he could have left us at any minute and got \$300 a month.

Q.—He was getting a smaller salary than he could have got elsewhere? A.—Yes.

Q.—He was in the same category as yourself, taking a little less than he could have got elsewhere? A.—With this difference: he was getting the same salary from us when he came as he was getting elsewhere, and it was different with me.

Q.—The accountant came with you in 1894? A.—Yes.

Q.—And was there part of a year? A.—Yes, assistant accountant.

Q.—Up to 1898 it was under \$1,000? A.—Yes.

Q.—And in that year it became \$1,000? A.—Yes.

Q.—And then it increased from \$1,000 up to \$2,400 in 1905? A.—Yes.

Q.—What is his salary for this year? A.—I think it is \$250 a month. I have forgotten.

Q.—Mr. McQuaker \$225; about \$2,700? A.—Yes.

Q.—Between 1905 and 1906 there seemed to be a good many changes in the salaries, substantial amounts? A.—But when you look at the profits we paid policyholders you will find there is a very substantial profit paid

to them. The policyholders certainly have first consideration.

Q.—Besides this salary did you receive anything by way of commission? A.—No.

Q.—On policies written? A.—No.

Q.—Or on applications for loans? A.—No.

Q.—Have you ever got any commissions from loans? A.—Never received one cent in any way, shape or manner from the company, except the amounts shown there.

Q.—I cannot add anything to what you have said. Now about your secretary, Mr. Jardine? Does the same statement apply to him? A.—The same statement applies to him, and to everybody else connected with the company.

Q.—Does that apply to all your head office salaries where they are on salary? A.—Yes; where they are on salary they get nothing else; we have a clear distinction; some paid by salary and some by commission.

Q.—No mixed salary and commission? A.—No.

Q.—If a man is on commission is he guaranteed anything for the year? A.—No. No one is guaranteed anything.

Q.—Are advances made? A.—Advances are made, but the party agrees to return the advances if he does not earn them, and we make him do it.

Q.—In all cases? A.—You cannot take blood out of a stone, but in all cases where it is possible.

Q.—It appears to be taking blood out of a stone in the case of a good many companies? A.—We do not do business with stones.

Q.—Does it come back to that in all cases? A.—Yes; we either get security or advance to responsible men.

Q.—You have no losses? A.—I won't say we never make a mistake; that is our intention in all cases.

Q.—All companies intend that? A.—No, excuse me. The evidence shows that companies give advances they do not expect to have returned, and I am making the distinction between the two cases.

Q.—What you lose is by misjudgment, rather than by making mistakes? A.—Yes.

Q.—Which everybody will do? A.—We do not claim to be perfect ourselves.

Q.—The amount of fees paid to directors up to the end of the year

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1899 was nil? A.—Yes; for the first eight years, 1892 to 1899, both inclusive, the directors received no fees at all, nor payments to them of any kind, nature or description.

Q.—In 1900 they received \$2,296? A.—Yes.

Q.—In 1901 \$2,145? A.—Yes.

Q.—In 1902 \$1,809? A.—Yes.

Q.—That does not indicate any change in the basis of payment? A.—No.

Q.—Just a matter of some directors not getting as much? A.—We had fewer directors.

Q.—In 1903 \$2,016; 1904, \$2,001; and in 1905 \$1,978. So that up to the end of 1905 the basis of remuneration of directors was uniform throughout? A.—Yes.

Q.—The President receiving— A.—The President just received \$250 one year.

Q.—\$300 is the lowest here. The amount is modest enough. And then in 1906 his remuneration was increased to \$1,000? A.—Yes.

Q.—Then there are three Vice-Presidents? A.—Those first years he was paid \$250 and fees for the meetings.

Q.—And after that he was paid \$500? A.—In lieu of two things.

Q.—Had the Vice-Presidents up to the end of 1905 been allowed anything special? A.—No.

Q.—In 1906 does the resolution give them anything special? A.—No; we wanted them to take something, but they refused to do it.

Q.—Take the other directors, what basis were they paid on? A.—Till when?

Q.—Up to 1905? A.—We paid \$10 for directors' meetings, of which four or five were held during the year, and at first \$3 for committee meetings, and subsequently \$5.

Q.—In 1906 how are they to be paid? A.—They are to be paid \$10 for each meeting, whether directors' meetings or committee meetings.

Q.—How often do you have committee meetings? A.—Once a week.

Q.—Will you estimate for me what your directors' fees will amount to in 1906 as compared with 1905, when they were \$2,000— A.—They will be double that amount.

Q.—They will increase from \$2,000 to \$4,000? A.—Yes.

Q.—That was all carried through the February meeting, which we have seen? A.—Yes.

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Q.—Have you the names of the members of that committee yet?—

MR. JARDINE: I will get that.

A.—I may just say that the committee consists of all the directors resident in Winnipeg.

Q.—That is the executive committee? A.—Yes.

Q.—I am speaking of the special committee that dealt with salaries? A.—Yes.

Q.—And also when they were appointed? A.—Yes.

(Adjourned till 2 P.M.)

## AFTERNOON SESSION.

MR. TILLEY: Q.—Have you the names of the members of that committee? (Book produced.)

Q.—The committee appears to have been appointed on February 2nd, 1906? A.—Yes.

Q.—And the members of the Committee seem to have been Messrs. G. R. Crow, Sir D. H. McMillan, and G. W. Allen, and they were appointed to enquire into the question of directors' fees and report to the next meeting of the Executive Committee, also to revise the company's salary list. Was it in your mind at that time that the bonus of \$10,000 would be given you, Mr. Brock? A.—When the committee was appointed?

Q.—Yes? A.—No. No discussion had taken place then as to what form the change should take.

Q.—But was it in your mind that that was a desirable form? A.—No, I cannot say that it was.

Q.—Whose proposition was it: yours or theirs? A.—Well, they made an alternative proposition.

Q.—What was it? A.—One of them was that the salary should be increased to a greater extent.

Q.—How much? A.—\$15,000 a year.

Q.—That is, the committee proposed that as a thing they were prepared to agree to? A.—Yes.

Q.—A salary of \$15,000? A.—Yes.

Q.—What other proposition was made? A.—This proposition was suggested by somebody else.

Q.—By whom? A.—I really cannot say: it was one of the three members of the committee.

Q.—Was there any other proposition submitted? A.—Not that I know of: I think those were the two.

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Q.—Was the one that was adopted the later suggestion of the two? A.—I really cannot say. They discussed those two, and decided upon the one that was adopted.

Q.—Were you present at the discussions? A.—Not all the time. It was discussed amongst themselves.

Q.—Having discussed it among themselves, they made the proposition to you? A.—And asked me if that would be satisfactory to me, and I told them that it would.

Q.—Did you choose as between the two propositions? A.—No. Well, I do not recollect whether they really put it to me or not. That was decided, what they had decided from their standpoint would be the better alternative, and they asked me if it would be satisfactory, and if it had not been satisfactory to me I suppose they would have reconsidered it.

Q.—Was that proposition accepted and carried through at that time because of the annual meeting approaching? A.—No, it had been our custom to have the salaries settled before the end of January where that was feasible.

Q.—Was it not your custom to have the salaries settled after the annual meeting? A.—That was my statement, I believe, this morning, but on thinking over it, I think we usually tried to have them settled before the end of January, because they were for that year, and we wanted to pay the salary in January, but sometimes I notice that it has not been until February: it has run usually to about the 1st February.

Q.—The rule is after the annual meeting? A.—I think that it was at the start after the annual meeting.

Q.—And had continued so as a rule? A.—Not regularly.

Q.—How many times has that not happened? A.—I have not got that.

Q.—I thought from the way you were speaking you had calculated that? A.—No, I did not.

Q.—Was there any discussion as to giving to the Commission a copy of the Minutes for 1906? A.—The Minutes for 1906?

Q.—Yes? A.—No, we showed fairly what we were asked for, and the minutes were copied, and I supposed it was exactly what was asked for.

Q.—You were asked to furnish copies of the Minutes of your committees and your Board of Directors, were you not? A.—I believe so.

Q.—And you sent in the copies? A.—We tried to give you what was asked for there.

Q.—You did not try very hard as to 1906.—A.—What do you mean?

Q.—You did not give us anything for 1906? A.—No, we gave you up to the end of 1905.

Q.—Why did you stop at the end of 1905, when this transaction was in 1906? A.—I do not know. All of our statements asked for were up to the end of 1905.

Q.—And the Minute which disclosed this personal dealing was not shown to the commission? A.—It was shown to the accountant.

Q.—When we asked for the original books? A.—Excuse me, you did not ask for the original book: that is not fair.

Q.—Why? A.—We were not asked for the original book: we volunteered the original books.

Q.—When? A.—When the Accountant came up here.

Q.—The accountant was going through all your books? A.—I volunteered those two he took away with him to examine. He did not ask for them: they were voluntarily placed in his hands by me.

Q.—A copy of this was not supplied to the Commission? A.—No, nothing in 1906 has been supplied to the Commission at the present time. All we were asked was information up to the end of 1905.

Q.—That is not quite correct? A.—Well, we understood it so.

Q.—That hardly seems possible. The circular is dated 16th March, 1906, and you are asked to send all Minutes of the Board of Directors and of your committees, so that that — A.—For the past 15 years.

Q.—The past 15 years from March would bring you up to March, 1906? A.—Yes.

Q.—Has there been any other arrangement made or discussed with you as to giving you a contract over a term of years? A.—Yes.

Q.—That has never been discussed? A.—Never been discussed.

Q.—Have you proxies of shareholders in your name? A.—Sometimes they are sent to me.

Q.—Are they continuous proxies? A.—No.

Q.—That can be used from meeting to meeting? A.—No, only for the meeting.



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Q.—Or an adjourned meeting? A.—Or an adjourned meeting.

Q.—Are proxies sent out to the shareholders before every annual meeting? A.—A notice is sent to all the shareholders if they have a right to vote by proxy.

Q.—And a form of proxy enclosed? A.—Yes.

Q.—With names in it? A.—No, without names.

Q.—Any request as to who should be appointed a proxy? A.—No it has been left entirely to their own discretion.

Q.—Without any suggestion at all? A.—Without any suggestion in any way, shape or form.

Q.—Who gets the proxies? A.—Do you mean who receives the proxies?

Q.—Yes? A.—The various directors of the company get them and other shareholders.

Q.—You hold them, I suppose, mainly? A.—I do not think so. I have never taken the trouble to count them up.

Q.—There has never been any test vote in your company? A.—No, never.

Q.—Everything has been practically carried through by all; there is no division on any resolution? A.—Oh, yes, there is a vote.

Q.—At the annual meeting? A.—Yes, the directors are elected by ballot.

Q.—Has there been any difference there as to who should be directors? A.—I daresay. I have never seen the ballot.

Q.—Well, you know the result? A.—Oh, yes, but I do not know who else may have been voted for, or what votes they get. The scrutineers were appointed, and they simply reported those who were elected; they did not mention others.

Q.—They do not show any other names? A.—No.

Q.—What voting power have policyholders of your company? A.—None whatsoever.

Q.—Has the advisability of giving them the right to vote ever been considered? A.—By whom?

Q.—By the company, yourself, or any person you know of? A.—Not that I know of.

Q.—There is no provision in your Act, as there is in some Acts, that you may give policyholders the right to vote? A.—No.

Q.—Have you ever considered whether you have that power without it being expressly given to you? A.—No, I have not.

Q.—What do you think about giving policyholders the right to be represented at your annual meeting? A.—I think it would be useless.

Q.—Why? A.—Because they would not attend. They apparently take no interest in it. I notice even at the election of the mutual companies, where there is practically nobody else to vote, they do not attend.

Q.—Would they not be as apt to attend as your shareholders? A.—I do not think so.

Q.—Those that did attend would be able to express their views? A.—Unless they were deaf and dumb; there would be nothing to prevent them expressing their views, if they had a right to attend.

Q.—At the present time they have no right to express their views, at the annual meeting at all? A.—No. They have no right to attend; only shareholders can attend.

Q.—Therefore they cannot in any way criticize the management when the directors are seeking re-election, except as an outsider could criticize them in the public press, or in some such way? A.—That is the only way that I can see.

Q.—Do you think their interests are not such that they should be represented? A.—No.

Q.—You think they should not be represented? A.—I think they should not be represented.

Q.—You think the persons who have the capital stock in the company should be the only ones who should have a voice in the management of the company? A.—Yes, just as in the affairs of an institution that gives a bonus of its profits to its employees. It would never do to give them a voice in the company.

Q.—You think the policyholders are to be treated in the same way as the employees of a manufacturing concern? A.—Well, it is better for them usually.

Q.—You think it is in their interest that they should be treated as in that position? A.—I do.

Q.—Why? A.—Because the affairs of the company then would be managed by the shareholders who have money at stake.

Q.—So have they? A.—And who are liable to perhaps further calls on

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their capital, and who are totally interested in seeing that they run no risk of extra calls, and that the business is profitably conducted. My view of the position of giving profits to shareholders are somewhat different from those that have been expressed. I think it is vitally important in the interests of the company that the shareholders should have a share of the profits so that it should be to their interest to properly manage the company, and I think the great difficulty in the disclosures in the Equitable in the United States is that they were limited to seven per cent. upon their stock, whereas if the shareholders had had a real interest in the profits of that institution, it might have been more important to them to see the business was properly conducted; at the same time I might add that I think there should be a limit upon the share of profits that the shareholder should be entitled to have.

Q.—Well, why? A.—Because I think it would be better and fairer to everybody then.

Q.—Then the only objection you make is that seven per cent. was too low in the case of the company you mention? A.—When they started they were earning seven per cent. on their capital; so they were getting none of the profits but just getting interest on their own money.

Q.—Was the seven per cent. too low? You think there should be some per centage fixed? A.—I think there should be a per centage of profits. I do not say there should be a dividend fixed; this was a dividend fixed—not a profit.

Q.—You think it should be limited to a certain share of the profits earned by the company? A.—Yes.

Q.—Have you that in your charter? A.—No.

Q.—Why not? A.—We are waiting for legislation. It has been discussed a number of times.

Q.—By your shareholders? A.—No, by the press generally, and we have been expecting there would be some such regulation.

Q.—Have you assisted in the agitation for it in any way? A.—No, it is not to the stage of agitation, but we understood there would be a revision of the Insurance Act.

Q.—You give policies to persons in which they share in the profits of your company? A.—Yes, just in the same way that some large institutions

give a share of their profits to their employees.

Q.—I do not know that you can say just in the same way? A.—It is analogous to that.

Q.—Leaving out what it is analogous to, it is a policy by which the person that becomes an assured shares in the profits of the company? A.—He has that protection in addition to the fact that the premium was first fixed just to cover the insurance, and when by careful supervision it was found it was more than what was adequate, then the company commenced to divide a share of their profits.

Q.—Your company does not go back that far? A.—There are some non-participating companies who have not had any agreement to share their profits and have done so. One company in the United States divided up seven millions profits—

Q.—I am not asking you anything about that company that was in existence long before yours. Your company issues with-profit policies? A.—Both with and without.

Q.—Will you tell me anything which indicates what right the policyholder has as to the quantum of profits he will get from your company? A.—There is nothing fixing it.

Q.—There is nothing in your charter? A.—No.

Q.—Nothing in your by-laws? A.—No.

Q.—Nothing in anything your policyholders have? A.—Nothing whatsoever.

Q.—If you choose to give them a dollar for profits, that is all that they could compel you to give. It is a matter left entirely to your discretion? A.—Yes, and we have given them—

Q.—The difference between your with profit policies and your without profit policies, is that certain of your policyholders will be given something, according to what you think is proper they should be given? A.—Yes.

Q.—The difference is you will give one class something, and you will not give the other anything? A.—Yes.

Q.—That way of having no standard for division does not meet with your approval? A.—No.

Q.—You think that the policyholder should have some definite standard by which to gauge his profits in the company? A.—Yes. If I might be allowed to put in an explanation there, you might say some of the English

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companies take the profits on the non-participating policies and the annuities, and they consider that belongs to them. My idea is that all the profits, both on the non-participating and participating, should go into one fund, and that the participating policyholders should have a certain established interest in the whole fund.

Q.—It seems strange that with such a clear idea as to what the policyholder should have, that you have not something in your charter or by-laws which declares your right? A.—We followed practically the form that was in use in granting charters.

Q.—I would question it? A.—You could not successfully question it, because it is correct.

Q.—I would still question it, if you will permit me? A.—I might refer you and say we followed the Dominion charter, which was issued a few years before ours. The majority of Dominion charters have provisions that ninety per cent. of the profits earned by the policyholders' money should be divided amongst them? A.—That was subsequently put in.

Q.—It is in some of the original charters? A.—It is in some prior charters.

Q.—It is in some before yours? A.—I have not seen any.

Q.—Is that clause one that meets with your approval? A.—Yes, that would meet with my approval.

Q.—What is there in those charters that declares any right in the policyholder to get anything under that form of section? The directors still declare what they think proper for profits? A.—Yes, I think that is absolutely necessary.

Q.—You would leave it to the directors? A.—Yes; it would never do to have the policyholders in a position to come in and question the profits, because we would have nothing but lawsuits about profits.

Q.—I suppose that is about right, that if the policyholders were entitled strictly to some division of profits—A.—To an account.

Q.—That the companies would have endless lawsuits? A.—Yes.

Q.—Why should an insurance company have endless trouble with the person for whom it is trustee any more than any other trust company have litigation? A.—Just because there are so many lawyers and others who would derive a profit from having litigation of that kind.

Q.—That is the reason? A.—To my mind.

Q.—That is the best reason you can write? A.—That would be my idea.

Q.—Then we have something to measure it up by. At the present time a participating policyholder in the Great West Life whose policy becomes a claim cannot, as of right, get more than the face of the policy? A.—Yes, he can—

Q.—How can he? A.—I mean in his policy contract he is given—

Q.—Under what clause in your policy contract? A.—Are you referring to the interpretation—

Q.—I am referring to the with profit policy. Supposing a person should die to-day and his policy becomes a claim, and then the beneficiary under the policy is offered \$1,000, and either no profits or very small profits, what clause is there in the policy that he can say to the company, "That is not what I am entitled to, I want something else"? A.—After five years he is entitled to profits.

Q.—How do you measure his profits? A.—After the declaration has taken place we give him a bonus.

Q.—How do you declare your profits? A.—We have adopted a practice on the recommendation of our actuary.

Q.—Mr. Standon? A.—Yes; that is common in England.

Q.—Do you pass a by-law? A.—No.

Q.—Is there anything which you do? A.—We give a bonus of one per cent. at the end of five years on all our life policies.

Q.—You do that as a matter of calculation, and crediting it, or do you give credit at the end of five years? A.—At the end of five years.

Q.—Do you pass any by-law declaring that? A.—No, we give them a bonus certificate.

Q.—Do you keep an individual account with every one of your policyholders? A.—No.

Q.—You in no way appropriate profits to a policy until the time comes to give it profits? A.—No, just before that time the division is made by our actuary.

Q.—What class of policy has your company been endeavouring to sell to the public? Annual distribution of profits—A.—We do not wish any annual distribution of profits.

Q.—And never have? A.—And never have, and never will, unless compelled to by law, partly because no policy is issued which is earning it at the end of the year.



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Q.—Is that the only reason? A.—That is the principal reason, and the other one is that there should be an average period, or else there would be great differences in profits, and after the experience of 100 odd years in England they have practically come to the conclusion that the best dividend period is one of five years.

Q.—Is the five year period the one you take? A.—The one we consider most desirable.

Q.—Is that the one you have sold the most of? A.—No, because the public does not agree with us.

Q.—And you think the public is wrong? A.—I think the public is wrong. I think a five year period would be the best, but still in some cases I have no doubt that the policy the public select does suit them the best.

Q.—Have you always shown rates in your books for the five year plan? A.—Always.

Q.—Have you a copy of your earlier book here? A.—Yes, here it is.

Q.—Besides the five year distribution, what other periods of distribution did you adopt? A.—Fifteen, twenty and twenty-five.

Q.—Did you pay your agents the same rate of commission on all these plans? A.—No.

Q.—What difference? A.—We paid them a higher commission on the five year distribution.

Q.—Just compare, will you, the rates of commission on one plan and the other? A.—We gave a commission of ten per cent. higher on the five year distribution than we did on the twenty year distribution.

Q.—Does that apply to the ten and fifteen? A.—There is a greater difference on the ten and fifteen.

Q.—What is the difference on them? A.—They are a lower rate of commission than on the twenty.

Q.—So that your best rate of commission was on the five? A.—Yes.

Q.—And the next best on the twenty? A.—The next best on the twenty-five, and the next on the twenty; on the five we gave 50, on the twenty-five we paid 45 and on the twenty we paid 40.

Q.—That is not what I was asking you. On the five year dividend period you gave fifty and on the twenty you gave forty-five? A.—Yes.

Q.—That is a twenty payment life policy? A.—On an ordinary life; this contract was prepared before that contract was in force, but the commission allowed was just the same as on the

other; that is one with renewal and this is one without renewal with a higher commission.

Q.—Did you show ordinary life policies with a five year dividend period? A.—Yes.

Q.—Did you sell the same plan of policy but with a ten year dividend period? A.—Not with a ten; with a fifteen we did.

Q.—Did you make any distinction between the commission that you would pay an agent on the ordinary life with a five year dividend period and with a twenty dividend period? A.—Yes, on a twenty year period we paid 55 or we paid 65.

Q.—That is a twenty payment life policy? A.—And ordinary life.

Q.—Was the premium higher for that class of policy? A.—The same premium.

Q.—Whether it was 25 year dividend or 20? A.—No, it made no difference what the period was. Our agents used to object to that, because they said other companies did not do it, but it all seemed to me it was the proper mode, and we always paid our commissions in that way.

Q.—In 1894 you apparently only issued twenty-five policies having a five year term as against 504 on a longer term? A.—Yes.

Q.—Can you account for that? A.—Because the great majority of people say they want a twenty-year policy, nearly everybody who is canvassed. They want a twenty-year policy.

Q.—They want a twenty payment life? A.—Yes.

Q.—This expression here "Twenty payment life policies"—that ordinary life does not count for much in actually selling the policy, because if they take 25 payment policy they take 25 year dividend period, and if they take twenty it is a twenty year dividend payment? A.—Yes. We issue the ordinary life policies on a five, ten, fifteen or twenty years, but the 20 payment life we issue only with a twenty year dividend, and the fifteen the same. Some give it with a shorter dividend period than other companies do.

Q.—You get very little ordinary life policies with a fifteen year dividend period? A.—Very little.

Q.—That is not a thing that the public quite possibly understand? A.—Yes, it is taken by older men, men who, for instance, have got to be, we will say, my age, fifty-five to sixty years of age. They say "We do not want our premiums to extend beyond

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fifteen years, but we do not want to take a fifteen payment life, because the rate is too high. Then we give them the ordinary life with a fifteen year dividend.

Q.—How does that help them? A.—Because they are given the full value of the policy in cash or paid up policy.

Q.—By reason of the options they get at the end of the 15 years? A.—Yes; there is no deduction on account of withdrawal.

Q.—But under that policy, where it is ordinary life with a fifteen year dividend period, is that the same rate as the ordinary with a five year dividend policy? A.—Exactly the same rate.

Q.—Never has been any different? A.—No.

Q.—So the 60 per cent. would be computed on the same premium as the 70 would be on another plan? A.—Exactly.

Q.—In 1899 you issued 33 policies with the five year term, as against 1,689 policies on a longer term than five years? A.—Twenty year term is almost, you might say, exclusively issued, or nearly so.

Q.—Do you think it is wise to allow such a long postponement of any actual division of profits as 20 years? A.—I do not see any difference between that and taking a twenty year endowment policy, non-participating.

Q.—During that 20 year period what does the company do towards appropriating profits to that policy? A.—We do not appropriate it at all.

Q.—What care do you take to ascertain when you pay out profits to the five year policy that you are keeping a similar share of profits for the twenty year? A.—Our actuary makes a calculation and sees that the amount we divide is the proportionate amount for all our policies.

Q.—Does the actuary make the calculations on statements you send to him? A.—He comes to our office.

Q.—Mr. Standon? A.—Yes.

Q.—Does he take the fund of profit you have each time? A.—Yes.

Q.—And does he show by his report how he is appropriating that amongst the policies? A.—Yes, he discusses it with Mr. Jardine.

Q.—Does he make a report? A.—He makes a report. He tells us the amount of dividends when we come to the various classes of policies.

Q.—Does the report or the statement that he gives to you indicate the dividend you are to set aside, or keep

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or reserve for the deferred dividend policy? A.—It indicates that the equivalent dividend is credited to all the other policies.

Q.—Have you his report here? A.—No, he simply gives a report of the dividend we have to pay.

Q.—How do you know he has set apart anything for the twenty year policy? A.—He has stated to me that that is the basis of his calculation.

Q.—You will be able to get those reports, and it will be better for us to discuss those then? A.—We can get them. He is simply stating that we can give a dividend of one per cent.

Q.—You are acting as the manager of a company in which you have a lot of policyholders who are to be entitled ten, fifteen and twenty years hence to profits from you. Do you pay out dividends on the verbal statement of some person that in the state of your funds such a thing would be fair? A.—He has given us a letter. I think we have it.

Q.—You will look those up. What is the feature of a fifteen year dividend policy? Would you explain it as if you were going to insure me? A.—What I would say to you is this: that we divide our profits on a five year term, a fifteen year term, a twenty year term, or a longer period.

Q.—Or twenty-five? A.—Yes.

Q.—You do not go longer than twenty-five? A.—No, we have none longer than twenty-five. That does not affect the policy in any way, or the premiums you pay, if you select one of those premiums; you must select one; or take the non-participating policy—

Q.—Don't you receive a great many applications where the applicant has failed to indicate the particular method of distribution that he selects? A.—No.

Q.—I have seen it in other companies? A.—It has happened, but it is a very rare occasion.

Q.—If you are presenting that feature of the insurance to me, as a rule do you decide that, or do I? A.—Oh, the applicant decides it.

Q.—How do I decide it? Do I decide it by being led into it by the agents? A.—It just depends. If a man has no view of his own, he will accept the agent. If he is an intelligent man, and you say to him "You can draw your profits for five years and use them in reduction of your premiums, or as a bonus addition, or

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take the cash, but if you choose to leave them they will remain, and you can draw out at the end of twenty years, and they will be very much larger with compound interest added.

Q.—What advantages do I get by leaving them? A.—There are two advantages: there is a distinction: whether it is an advantage is a matter for a man's own consideration.

Q.—How is that? A.—A man who considers he has good prospects of living—and most people do, because that is why they select the 20 year dividend—besides your own profits you get the profits of those who would die during the period.

Q.—Would the profits of those that drop out come to me? A.—Your share of them.

Q.—What persons that dropped out do I get any benefit from? The persons who became insured in my year? A.—In your class.

Q.—If there are 100 people in my class in the year 1906 in your company on a twenty year dividend policy plan, and 99 of them die, I get all the profits at the end of my 20 years that those 100 policies would have got? A.—If they die or withdraw.

Q.—Tell me what system of book-keeping you adopt that shows I get those profits? A.—We enter every policy in its class, and we keep them in their class.

Q.—How do you know what share of the profits has been apportioned to those 100 persons and what passes to me by the lapse? A.—Nothing passes to you until the dividend year is completed.

Q.—When the 20 year period comes to an end I get my profit? A.—I could illustrate it in a few words to make it clear. Say for instance, if a thousand of us to go in and pay in a certain sum of money and decide on 20 years: we have either ordinary life or twenty year endowment. We pay our premium for that. Some die during the period. Some withdraw, taking up a cash value, and at the end of 20 years there is a certain fund on hand. That fund is divisible among those who remain. Now, as to the equity of it—

Q.—I do not want to know about the equity or inequity of it. I want to know how you keep your books, because I do not see that you keep at the end of the twenty year period to say to me or to my claimant that so many died out of my class? A.—

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We keep the most careful statistics: we keep a class book and enter every policy in it, and that is carefully revised. If a man drops his policy we take his name out, and if he reinstates it in the time allowed in it goes again, and we keep a most careful account of those things.

Q.—Now we come to the end of the two year period, and tell me the computation you go through in order to fix the profits on my policies as against the policies that are coming in next year? A.—There are a great many ways in which it is made up by the different actuaries. Our first is coming due next year.

Q.—Your first what? A.—Fifteen year.

Q.—The first fifteen year period falls in next year? A.—Yes.

Q.—And up to last year Mr. Brock cannot tell me how he has kept a record or account, so as to deal fairly by the fifteen year people? A.—No, because there is nothing to divide.

Q.—There is no profit from the men that have dropped out: there is nothing of theirs transferred to me, and I am simply waiting for the directors to give it to me? A.—You put it in a way that is not fair.

Q.—I do not want to be unfair? A.—I do not think you do. It is the same thing exactly. Here is a firm in business. Profits are declared at the end of the year. Nothing is done, no entries made. They take your stock and when they find out what their stock is they divide it—

Q.—If they have a co-operative concern, and a certain bunch of people are dealt with on one basis, and another are on another basis, and one man may get the benefit of the others who were in it, they must keep a record of it? A.—They do not keep a record of the profits from day to day.

Q.—You have a tontine policy? A.—Yes, we have had a few. You could hardly call them tontine: they were ten year policies.

Q.—Tell me what you did for those ten year policies? A.—The actuary made up a statement to see what they were entitled to, and he decided they were entitled to a profit amounting to a certain per centage on the premiums they had paid.

Q.—What percentage was that? A. Fifteen per cent.

Q.—What year was it that the actuary decided that? A.—Well, as they



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came due, the first year would be 1902.

Q.—In 1902 he gave the policies that matured in that year what percentage? A.—Fifteen per cent. of the premiums paid.

Q.—Of what each policyholder had paid? A.—Yes; these were not tontine policies.

Q.—You have had no policies yet on which you have declared dividends where the survivor takes the benefit of the ones who have dropped? A.—We have had the five years.

Q.—What have you done with them? A.—We have given them a bonus addition of one per cent. at the end of five years. At the end of five years we were not in a position to pay a profit, and deferred it until we were, and deferred it seven years, and that would be 1899.

Q.—In 1899 you divided among the policyholders entitled to profits at the end of five years and were on the tontine principle? A.—Yes.

Q.—Gave them a bonus of what? A.—One per cent. on the amount of his policy per annum. On a \$1,000 policy we gave one per cent. per annum, or \$10 per annum, in addition to his policy at the end of five years.

Q.—What did you do in 1900 with the policies that came in then? A.—They got exactly the same dividend.

Q.—1901? A.—The same.

Q.—1902? A.—The same.

Q.—Where is the theory about the man that survives getting the benefit of people dying in his class? Because in your policies in 1901, 1902, 1903 and 1904 you gave them the same, without regard to the special contingency of each class? A.—No, the special contingencies of each class were taken into consideration.

Q.—And it came to one per cent.? A.—It came so near to it the actuary decided it was the best plan, and that is followed by 90 per cent., well 75 per cent. anyway, of the old companies in Scotland and England. It works out almost absolutely the same as the contribution plan. The contribution plan keeps an account of each policyholder; in other words, it charges an arbitrary amount to expenses, and that arbitrary amount is made to equalize it with the bonus addition; they come out almost exactly the same. The bonus addition has proved in 100 years to give an equitable arrangement to the differ-

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ent policyholders and be upon a basis that cannot be improved upon.

Q.—You cannot tell on what basis Mr. Standon works it so that he has an equitable division of the profits between these persons in different years and different plans? A.—We will go into that more fully next year, because we have our fifteen year policies coming in and that is more complicated than the five year plan.

Q.—And whatever he decides to do, and whatever you decide to do, the policyholder is bound by it, and there is no chance for him to show he has not been dealt with as you promised? A.—No, and if there was anything else there would never be any profits to the shareholders.

Q.—I am speaking of what he expects and what he might receive? A.—And a good reason for it. I have a statement here showing the effect of the dividends we have paid—

Q.—We will probably come to that. I was going to ask you, to show in your original book, where you indicated there was a five year division of profits? A.—Of all the policies on page 23.

Q.—Where is that shown in that manual that they are five, ten and fifteen? A.—Well, the others are put further over, and you will find on page 32 ordinary life with a fifteen year period.

Q.—You refer to ordinary life, fifteen year limited, tontine period per \$1,000, and the next year 20 year limited? A.—We did not issue them longer than 20 year at that time.

Q.—Show me where the agent had in this book anything to— A.—All Canadian companies give a dividend on a five year participating policy.

Q.—I should like to know where it is in this rate book. We have the fifteen year and twenty year, but I want the five? A.—The policy shows it is a five year—

Q.—The policy is not the thing they have before them? A.—It is extended to them when the contract is completed.

Q.—Where is it shown in the book? A.—I have not seen it here. I have not looked through it. There are a lot of things the agent knows that are not mentioned in the book.

Q.—What is mentioned in the book he is sure of knowing? A.—He is sure of knowing other things.

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Q.—At the end of the page you say “We also give in addition rates for fifteen or twenty year or limited ton-tine,” etc. You do not say anything about the five year? A.—Every company in Canada issues a five year participating policy, and it becomes so generally known that it is not necessary to mention it.

Q.—Here is what you are saying to the agent and through the agent to the insured “And as under a plan of this kind profits are materially enhanced by reason of other policies not being carried to their maturity, the policyholders will receive financial value” etc.? A.—Some of our Canadian companies refused to issue ton-tine policies but they all gave a five year dividend. That was the policy of all Canadian companies. In a later manual—

Q.—Are you going to insist on telling me something about a later manual? That would seem to be a very good reason why you sold in 1894 only 25 of the five year plan, as against 500 on the longer plan, because the longer plan is the one you mention in your book? A.—Because the agent knows about the others.

Q.—The agent knows what is in the book. You were going to show me a later one? A.—I show you that we go into it and explain the dividend business more fully. When we get experience we know a little more.

Q.—Was it not desirable in the early years of your company that the profits should be deferred for the 15 or 20 year term if possible? A.—It might be.

Q.—And was that not the reason why it was left out of your rate book? A.—No, it was not.

Q.—Why not? A.—Because we were paying a higher commission for that plan, and wished to give everybody an opportunity to select the plan that suited them. If you were weighing evidence, I am quite sure I could give you a better reason than that why it was left out.

Q.—It is time we got it? A.—It is already stated in the evidence, and you have repeated it, that we were not in a position at the end of five years to pay a profit and did not expect to be.

Q.—It was because it was desirable in the young companies to postpone the payment that you left it out? A.—We might not be able to, and the chances were we might have to defer

it a year or two, and it was made impossible for us by the Government regulation, but we always gave the policyholder the full opportunity, and we paid a higher commission, and that is the strongest evidence, and I think it will appeal to you as a judge, that that is so. Mr. Jardine calls my attention to the fact that it is explained here, but not definitely—“The company proposes to issue policies,” etc. (Reads.) This is the five year period—“We also give herein rates for fifteen and twenty year periods and other rates for the well understood and well known five year policy.”

Q.—Have you any place where you mention five years? A.—We distinctly left it out because we were advised by Mr. Standon, our actuary, that we might not be in a position to pay a dividend at the end of five years.

Q.—It was left out intentionally for a purpose and because you did not want persons to be in a position to claim profits inside of five years? A.—Yes, that is right. We paid the five year dividends.

Q.—You started out by saying you rather encouraged that, and rather led the commission to believe that you encouraged them from the start to believe that you encouraged that sort of policy because you paid a higher commission? A.—Yes.

Q.—Tell me why you paid a higher commission? A.—Yes; because on a class that is limited to ten or twenty years nearly all the policyholders terminate their insurance at the end of that period, whereas in the five year class they do not terminate it, but continue it.

Q.—You were showing me a form of contract that had in a certain number of payments, with a certain number of years for distribution of profits, and that applied to the ordinary life, and yet on the contract you produce here, made in 1897, the part which indicates that on ordinary life with a 25 year dividend period a certain commission is paid, is struck out in this form of contract? A.—Because we were not issuing 25 year dividend period on that contract.

Q.—And the 20 and 15 and 10 is struck out, and the 5 is struck out? A.—Yes. Well, that was not in that form. It was a different form.

MR. JARDINE: In making a copy of that we did not have the printed

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form that that was made on; so we had to make up that. We had to mark them off on that form, because that is our present printed form; that is why they were marked off.

MR. TILLEY: Is this printed form of contract that you have handed to me the printed form, so far as the form is concerned, that you had in 1892 when the company commenced?

MR. JARDINE: Yes, with those words marked out. They were not in the contract at all.

MR. TILLEY: These words "Ordinary life" were not in the old contracts themselves?

MR. JARDINE: No.

MR. TILLEY: So that you did not pay agents originally a higher commission on a five year distribution period policy than you did on a 15 year distribution policy ordinary life?

MR. JARDINE: Not in the earlier years.

MR. TILLEY: Mr. Brock's evidence as to that is incorrect?

MR. JARDINE: Not entirely so.

Q.—In the earlier years? A.—From the time we have made any distinction we have always paid the higher rate.

Q.—There was no distinction originally because you did not let them know of the five year policy? A.—No, that is not so; every agent of the company knew it.

Q.—In the contract you originally had with your agents the agent got his highest commission on the ordinary life plan?

MR. JARDINE: Yes.

MR. TILLEY: He got the same percentage of commission whether it was the five year period, ten year period, or fifteen or twenty year period?

MR. JARDINE: Yes.

MR. TILLEY: Got it on the ordinary life premium?

MR. JARDINE: Yes. The question had never come up.

MR. TILLEY: Because it was kept out?

MR. JARDINE: It was not kept out.

MR. TILLEY: Why not?

MR. JARDINE: It was not considered at the time; that question came up afterwards. When we had experience on the five and ten year policies we considered the question whether an agent selling a five year dividend

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policy should not have a larger commission than a man selling a twenty year dividend. There was no thought of keeping it out.

Q.—Then this policy would show a lower rate of commission on the twenty payment life policy than on the ordinary life plan, but in reality his commission would be a great deal more, would it not? A.—Not with a young company; there would be very little difference; that is ten per cent. higher commission on the lower premium; there was only a little difference. The ten per cent. would quite equalize it.

Q.—That was when it was 15 and 45? A.—Yes; that would just about equalize it.

Q.—Then we get back to just the point that I thought was the fact from the books, and that at that time it was not considered advisable, because you were a young company? A.—What was not considered advisable?

Q.—To have too early a distribution of profits? A.—To fix a period when we would distribute profits; at the same time we issued the ordinary policy with distribution.

Q.—If a person wanted that, then he would get it, of course? A.—Oh, yes. Very few wanted it. We did not keep it away from anyone, and gave all the agents of the company the rates.

Q.—I understand from what you have said that there is no distinct share of profits apportioned to policyholders and a certain other percentage and share to shareholders in your company? A.—No.

Q.—That is not the method? A.—No.

Q.—You pay the shareholders what you think they should be paid? A.—No, we pay the shareholders no profits whatever. They have got less than the interest earned upon their capital.

Q.—You pay the shareholders what you think they should be paid by way of dividend under all the circumstances? A.—Out of the interest account on their capital.

Q.—So far? A.—Yes.

Q.—You are paying the shareholders now at what rate? A.—Twelve per cent. Here is the account.

Q.—On the paid up stock? A.—Yes. This account shows the shareholders have standing to their credit yet \$53,000 odd of interest earned on their capital, over and above anything paid in dividends.



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Q.—That is the natural result where a company has not been paying any dividends, but paying at the rate of 12 per cent. they will soon catch up? A.—No, it will take a very long time.

Q.—You do not in any way apportion the funds or divide them? A.—No.

Q.—What proportion can you say of your profits earned have you paid or allotted to your policyholders? A.—So far as the dividend period has matured, they have received practically all the profits earned.

Q.—That is to say, on their money? A.—On their policies.

MR. LANGMUIR: Q.—On the matured policies? A.—On the matured policies only.

MR. TILLEY: Q.—But there is nothing set apart for the unmatured? A.—All of the surplus is set apart.

Q.—Well, it is there? A.—It is there.

Q.—It is not paid out yet? A.—No.

Q.—The shareholders have not taken it away? A.—No.

Q.—It is set as a surplus of the company? A.—Yes.

Q.—Without the company treating itself as being under any liability as yet for certain profits to the deferred policyholders? A.—Quite correct.

Q.—You have made a short computation of the number of policies issued, showing the number that have completed their deferred dividend period? A.—Yes.

Q.—And out of 111 policies issued in 1894 on a ten year period plan, 53 or 48 per cent were in force and received the dividend in 1904? A.—Yes.

Q.—Of 58 policies on the five year plan, 47, or 80 per cent. were in force and received the first dividend? A.—Yes.

Q.—Then there are 47 of the five year plan, or 80 per cent. remaining at the end of the first period of five years, and of those 47 there were 22— A.—No, of the 23 there were 22—

Q.—The 23 you gave me was for the first period? A.—Yes, only one dropped out of the first five years, and only one in the second five years of the 1894 class.

Q.—You divide it into two classes, covering ten years? A.—They give one dividend at the end of five years. Here is a list of the names and the amount of dividend, and the effect of it upon the premium, showing that it reduced the premium below the net cost of insurance.

Q.—That would be very interesting if we could show how these policyholders were dealt with as compared with the other policyholders who have not yet had their policies fall in? A.—Our surplus shows that. To any actuary it is perfectly clear.

Q.—We will see what Mr. Standon says in his reports on that subject? A.—We will be glad to see what Mr. Dawson says.

MR. PATTERSON: Q.—Practically they are all tontine policies? A.—You might call it so.

Q.—The man who dies at the end of four years gets no profits? A.—No.

Q.—He must live out the period of five years? A.—Yes, that is customary with English companies and every Canadian company with one exception. One company did give an annual dividend policy, and it was found to be unsatisfactory and it was stopped. They give profits if he dies at the end of five years or six or eight years, but it is held there is no profit worth dividing within five years.

MR. TILLEY: Q.—That is by reason of the high cost of the new business? A.—Yes, and the high reserve the Government required to be put up.

Q.—Should the policyholders that are insured in the year 1906 in your company bear their fair share, as between themselves, of any extra expense you go to in that year, or should that be put over policyholders that are already in the company and policyholders that subsequently come into the company, just as general expenses? A.—Well, the whole matter would be considered if there were some extraordinary expensive business in a certain year; owing, for instance, in the United States, to the investigation over there it might be considered that was a lean year, and have its effect upon all the policyholders.

Q.—Do the companies not have periods during which they are organizing and getting started with the business where the expenses are higher in proportion than after they get their field established? Don't you experience that? A.—Yes, a certain amount.

Q.—That is the difficult part in insurance business? A.—It is not very difficult for this reason: that all the policyholders receive advantage from that organization, whether they enter

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at the time of the organization previously or subsequently.

Q.—Then your opinion would be that that should be a general charge against the company by way of expenses, and it should not be kept as a charge against the particular policies of that year? A.—I think it should be to a large extent. It might be advisable to divide it and charge a part of it, and charge a part of it to other expenses. It has been said that if you put 100 actuaries to divide up profits that there will be a slight variation in every case, although they will come pretty closely together in their division, and I suppose that is true of everything else. Take 100 real estate agents in Winnipeg and get them to value a piece of property, the chances are you will get 100 valuations.

Q.—That will be a little different from an actuarial calculation? A.—Yes. Where you get a calculation as to how much it will cost to do business there is no absolute mathematical form. It must be done by judgment and experience.

Q.—Will you tell me the rate of dividend that your company has paid from time to time to its shareholders? Have you got it there? A.—Here it is in this calculation.

Q.—You did not pay any dividends at all, of course, for some years, up to the year 1900? A.—For the first seven years.

Q.—And the dividend you commenced paying was what? A.—Six per cent.

Q.—And that ran at six per cent. in 1900 and 1901: then eight per cent. in 1902? A.—Yes.

Q.—Nine per cent. in 1903, and then combination in 1904 of 15 on the old and 10 on the new— A.—No, no.

Q.—Which resulted in about ten per cent. all round? A.—No, it was not a combination, as you put it: it was for the period that the moneys had been paid in.

Q.—That is the ten per cent.? A.—It was the same dividend paid on the whole stock.

MR. LANGMUIR: Q.—Was it for the full year? A.—No, not for the full year.

MR. TILLEY: Q.—What part of the year?

MR. LANGMUIR: According to the payment, I suppose? A.—Yes, according to the time the payment was paid in: the money was only called towards the end of the year.

MR. TILLEY: Q.—You say in the year 1900 six per cent. on \$100,000: 1901 six per cent. of \$100,000: 1902 eight per cent. on \$100,000: 1903 nine per cent.: 1904 fifteen per cent. on \$100,000. Originally the issue of stock was \$100,000, and ten per cent. on additional \$150,000 of stock, making \$9,000, etc. Therefore the total dividends for 1904 was \$24,000 odd? A.—It was the same dividend to all, but there was a half yearly dividend, and the first half year was at ten per cent.—that is a mistake if that is the way it is there.

Q.—That is the way it is here? A.—Then it is a mistake. We will bring the dividend to you.

Q.—You say that is not correct? A.—Yes.

Q.—But you see what led me to make the statement I did? A.—Yes.

Q.—We will correct that at a convenient opportunity, but we will not bother with it further at the present moment. In what year did you increase your stock under the power given to you? I think the by-law was passed in February, 1903? A.—Yes.

Q.—How long before that had you decided to take that step? A.—When the resolution authorizing it was passed by the shareholders.

Q.—That was February, 1903? A.—Yes.

Q.—How long before that had you directors had it in your minds as a thing to be accomplished? A.—A few months.

Q.—You had then a capital stock of \$100,000 paid up? A.—Yes.

Q.—Being 25 per cent. on \$400,000? A.—Yes.

Q.—Had you considered the advisability of increasing the capital stock more than say six months before that resolution was passed in 1903? A.—I do not know just how long we had considered it.

Q.—In 1902 you had paid a dividend of 8 per cent. on the capital? A.—Yes.

Q.—That would indicate to some extent that you had reached a period when you thought a good fair dividend could be paid? A.—Oh, yes. We were gradually increasing it as the circumstances of the company would justify.

Q.—And you had gone from six per cent. in 1901 to eight per cent. in 1902, indicating a belief that the company's position warranted an increase to that extent? A.—Yes.

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Q.—Will you tell me, if the company was in that position, why you increased your capital stock? A.—Yes; because we felt that it would increase the strength of the company. Other companies had found it advisable to do so, to increase their strength to increase their surplus and their capital, guaranteeing the security.

Q.—On what basis had you been valuing your policies for the purposes of the reserve fund? A.—Four per cent. from the beginning, from the time the company started.

Q.—Then after the year 1900 you valued the new policies? A.—At  $3\frac{1}{2}$  per cent.

Q.—Continuing to value the old policies at 4 per cent.? A.—Yes.

Q.—Is that practice still in vogue? A.—Yes.

Q.—So that you have not changed the basis of your computation of reserve fund? A.—No.

MR. LANGMUIR: Q.—Prior to 1900? A. Yes.

MR. TILLEY: Q.—When I say changed the basis of your computation of reserve, the change in 1900 was compensated for by the change in premium, because you computed it on a change of basis? A.—No.

Q.—Then on the same premium you made a somewhat larger reserve? A.—On the new business.

Q.—Have you changed your premiums since that time? A.—Slightly.

Q.—To meet that? A.—Yes.

Q.—When did you make that up? A.—About four years ago.

Q.—About 1901 or 1902? A.—1902.

Q.—So that shortly after the Act was passed, or within a year or two, you changed your method of computing the premium? A.—Yes, we computed it on the  $3\frac{1}{2}$  per cent. basis, instead of the 4 per cent. basis.

Q.—I suppose there was not much money required at that time for reserve; you could not say the capital was called up for an additional reserve, or could you? A.—No; it was not called up for an additional reserve.

Q.—What surplus money had you in the hands of the company at that time, at the end of 1902? A.—Including our capital stock, we had \$226,508.45.

Q.—It had started with the usual impairment, I suppose? A.—Yes.

Q.—That is of necessity; not having asked for a premium on your

stock under present conditions, you had to pay out part of your capital in order to put up the reserve and get the business started? A.—Yes. The first lead pencil we bought gave us an impairment, and the Government does not allow us to charge that as preliminary expenses. All those expenses have to come out of the first year's expenses.

Q.—I want on the record what your preliminary expenses of organization were? A.—It depends entirely on what you include in preliminary expenses.

Q.—Give it to me and how you compute it—I mean your organization expenses? A.—This is a statement of it.

Q.—You have given me a memo showing that the amount of \$3,981.56 was paid for organization expenses? A.—Yes.

Q.—Does that include everything that was paid in the shape of expenses and getting the stock subscribed and prospectus out and charter and that sort of thing? A.—The names of all the parties are there.

Q.—The names of the persons to whom the money was paid is here? A.—Yes.

Q.—That covers what a company would usually describe as its organization account? A.—Remember, we were not fully organized; we had only been a few months in business when that was made up. There would be special work to do after that. No company is ever through organization, but we had only established ourselves in the west. We had to go next year to Quebec and another year to the Maritime Provinces.

Q.—This statement is exactly what I wanted; that is just getting the company started? A.—Our first organization expenses.

Q.—And not in extending your business? A.—No.

Q.—Have you a memo from which you can tell me how your impairment ran in the earlier years? A.—We can tell you from the blue book.

Q.—In what year did you have an impairment? Up to the end of 1897? A.—Yes.

Q.—I suppose you had an impairment each year up to that time? A.—Yes.

Q.—In 1903 it was \$17,000 odd? A.—Yes.

Q.—1894 about \$30,000? A.—Yes.



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Q.—1895 about \$14,925? A.—Yes.

Q.—What served to reduce the amount of that impairment between the years 1894 to 1895 from \$30,900 to \$14,925? Anything special? A.—Profits of the business.

Q.—You had turned from increasing impairment to diminishing it? A.—Yes. During those years we kept the amount of our business down and did not increase it.

Q.—And some plans of insurance you adopted were evolved for the purpose of— A.—Yes, the term policies.

Q.—In 1896 it was \$6,000; 1897, \$5,000; 1898 you change to a surplus on the other side? A.—Yes. I might be allowed to explain that some years before that we had a surplus on the Dominion Government standard of a 4½ reserve, and in copies of the blue book you will see the Superintendent of Insurance puts in the Dominion Government reserve as well as ours, so that we had a reserve some years before it is shown there. We had it on a more stringent basis than to-day.

Q.—You valued it on a 4 per cent. basis instead of 4½ as the Government allowed; so you put an impairment on yourselves? A.—Yes.

Q.—In 1898 it was \$10,000; in 1899 it was increased. In 1900 it was \$46,000; 1901, \$71,000; and 1902 about \$126,000, all without taking into account the capital stock, which would be treated as a— A.—Don't forget that during all those years the interest earned on the capital stock was not paid out to the shareholders.

Q.—We have dealt with that? A.—I am applying it to this.

Q.—That is the fact, that there was no payment made to them? A.—When the stockholders commenced to make up a statement from their own standpoint it is a little different from that of the policyholders. They charge interest on their own capital.

Q.—In 1903 there was a surplus of \$223,963.08. That would be as the result of bringing in the new stock at a premium? A.—Yes.

Q.—In 1904 \$290,000, and 1905 \$362,000. Taking those years as I have read them, that indicates to you that in the year 1902 at the end of that year, your company needed new capital to strengthen it less than it had ever done before? A.—If we were satisfied to continue doing busi-

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ness away from the chief centres of Canada, yes.

Q.—What do you mean by chief centres? A.—The cities of Toronto and Montreal, and these large towns where large policies were placed. We found it practically impossible as a small new company, with small capital, to get business where it could be got more cheaply from one standpoint in larger amounts. A medical examination for \$5,000 costs \$5, and for \$1,000 costs you \$3; so that in one case you are paying \$15 for a medical examination and in the other case \$5.

Q.—You are holding out the west as the place to get policies? A.—Small policies.

Q.—They are more expensive to you? A.—Yes, the \$1,000 policies cost us more than the larger policies.

Q.—That is not offset by the beneficial mortality? A.—I think it is. I think it just about equalizes it, that the farm population—I think every actuarial report goes to show that their average duration of life is sufficiently greater to justify us in spending a little more money to get those \$1,000 applications from farmers.

Q.—Did you receive any statements from agents that you needed more capital? A.—We had a great many of them urging us everywhere to increase—

Q.—Could you turn up some of those letters for me? A.—Yes.

Q.—I would like you to turn them up? A.—You must remember this, that I am on oath and giving you the statements.

Q.—I hope you remember it? A.—And I hope you will not forget it, as you appear to sometimes. These statements were made to me. I was the superintendent of agencies of the company as well as manager. I appointed nearly every agent. I met them personally, from Halifax to Vancouver. I crossed the continent twice to three times a year and met all our branch managers, and discussed with all our agents.

Q.—You may have got it verbally instead of by letter? A.—Yes, in most of those cases they would discuss it with me, rather than by correspondence.

Q.—Do you find policyholders do not regard it as a distinct advantage that the company they are going into, so long as it is solvent, has a small capi-

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tal stock? A.—What they think more of is the actual dividend they get.

Q.—Does that not, in the view of the policyholder, affect his dividend?

A.—Not necessarily.

Q.—Are you telling me now the view of the policyholder or your own view? A.—You asked me the view of the policyholder.

Q.—That is what I want? A.—Assume he is an intelligent man—

Q.—Assuming he is just what he is? A.—An unintelligent and an intelligent man will consider it differently.

Q.—You are catering now to policyholders. I want to know as the managing director of your company, catering to the policyholder, or the insuring public in Canada, is it looked upon by them as something in their interest that there should be a large or small capital stock so long as the company is solvent? A.—I have never heard that question brought up just in that way. The amount of the capital in any of the companies is so very small in proportion to the other funds, so long as it does a good business, whether the capital is \$100,000 or \$150,000—

Q.—Don't you think having reached the stage you did, that the capital stock was becoming of little importance, considering the years when it was of importance? A.—I considered it of great importance and recommended the Directors to increase our capital stock, and call it up at a premium.

Q.—When? A.—At the time it was done.

Q.—Why did you not urge that when the company was in need of it, and before it might have been regarded as a fair certainty it would be getting 8 and 10 per cent., as you are now getting? A.—Because it would be impossible to get the money in Manitoba at that time. We had a great deal of difficulty in placing \$100,000 of cash capital in this company, and some of our wealthy men who agreed to take it up did not take it up.

Q.—You got the stock in and got the company started with \$3,000 or \$4,000 expense. By comparison one would say that it must have been fairly easy to get stock subscribed? A.—It was very hard to get the stock subscribed—very hard to raise the money.

Q.—How long were you getting it? A.—About 6 months.

Q.—Do you say you could not get capital subscribed during those years, or feared you could not? A.—Could not get it subscribed by people we wanted to have control the company.

Q.—Whom did you want? A.—Western people.

Q.—You could not get it subscribed in the western country? A.—No.

Q.—Why? A.—In the first place because we could not promise them any dividend, and secondly, because money was very scarce.

Q.—Is it a fact that when you got the additional capital that you were in a position to assure them of good dividends? A.—From that time our business increased very rapidly.

Q.—When you got that stock subscribed you were in the position to assure them of good dividends in the future? A.—They would have to use their own judgment about it.

Q.—Were you in a position to assure them about that? A.—No.

Q.—Did you not make any statement as to what the company would pay by way of dividends? A.—Not that I recollect. I do not think the matter was ever discussed.

Q.—I think you were good enough to give me a letter written at the time the second issue of stock was made? A.—Yes.

JUDGE MacTAVISH: Was it the second call on the stock? A.—No. We had a right to increase our stock from \$400,000 to a million, and we did so, calling up the same amount on the new stock as we called on the old, 25 per cent.

Q.—That 25 per cent. is all you have called on this stock? A.—Yes.

Q.—And you have the liability there for the remainder? A.—Yes.

MR. TILLEY: Q.—Then Mr. Brock, you issued two circulars, one of June 1st, 1903, and the other of July 18th 1903, to your shareholders regarding the new stock? A.—Yes.

Q.—That was not an additional call on the old stock? A.—No.

Q.—But was a new issue of stock? A.—Yes.

Q.—If you wanted the money in the company merely, why not make a call on the old stock? A.—We did not want the money merely. We wanted the additional strength the capital would give us.

Q.—Besides the surplus you had in the company, you had 75 per cent., or \$300,000 of a liability on your shareholders at that time? A.—Yes.

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Q.—And you wanted to preserve that liability intact and create a larger fund in addition, with a further liability on the shareholders? A.—Yes.

Q.—At a time when you knew the liability on the shareholders meant absolutely nothing? A.—In our opinion, but not in the opinion of the people we were doing business with.

Q.—And you regarded that as good advertising? A.—Yes, with the people we were doing business with.

Q.—Show me that circular you issued advertising that fact? A.—We issued it on the annual statement.

Q.—To whom did that go? A.—To every policyholder and shareholder of the company.

Q.—How would it be shown on the annual statement? A.—In the Directors' Report.

Q.—Was it referred to in the way of notifying them that a certain amount of new stock had been issued, or was it simply changing the figures? A.—No, we explained that we found it advisable to increase the stock.

Q.—Would that be in the statement in the same year? A.—Yes, in that statement I think.

Q.—What year? Did you accept notes from the original shareholders? A.—No. Cash paid in every instance.

Q.—No negotiation of notes in order to show cash? A.—No, everybody paid the cash.

Q.—And paid the cash before the stock was allotted? A.—Yes. Well, we allotted it subject to the payment.

Q.—And no certificate was given to him? A.—No.

Q.—And he was not treated as a shareholder until he paid the money? A.—No.

Q.—The allotment was conditional? A.—Yes. The resolutions were prepared by our solicitor.

Q.—No forfeiture for non-payment? A.—No. There were applications received that never were completed.

Q.—I notice that. I will put in as exhibit 393 copies of these two circulars of June 1st and July 18th. Did the shareholders for the most part take an equal amount with their present holding? A.—Almost, with exceptions. There were a few exceptions.

Q.—Can you tell me how far short of the \$400,000 it fell? A.—Well, a few of them assigned their right to take these shares to other shareholders.

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Q.—To directors? A.—I do not know about that. It was a very small amount.

Q.—Did you have any transferred to you? A.—No.

Q.—Or for your benefit? A.—I would not like to say if there were any.

Q.—I wish you would tell me? A.—I have no recollection of it. I will look that up.

Q.—Can you not tell from the shareholders' list? A.—I think I could find out—yes, I could find out by comparing the list who took them out.

Q.—Were they assigned to you? A.—Some assigned to me.

Q.—Under an arrangement made previously? A.—No.

Q.—You bought it after— A.—After they had the right.

Q.—You bought their rights? A.—Yes.

Q.—And then the stock was issued in their name and transferred to you? A.—Yes.

Q.—Did you pay for that right? A.—Yes.

Q.—How much did you pay— A.—It was not always uniform. I remember one shareholder was paid as high as 140.

Q.—The shareholder getting it at the basis of 125? A.—Yes, that was the largest item of any. Lieutenant-Governor McMillan bought them from the Hon. George Bernier, and Mr. Marsh of Regina bought Col. White's 150.

Q.—How much did you buy? A.—Very few; probably 40 or 50 shares.

Q.—What price did you pay? A.—Different prices.

Q.—As low as— A.—10 per cent. over the issue price.

Q.—And as high as— A.—I do not think I bought anything over 140.

Q.—The directors must have regarded that as a good investment? A.—The fact that they took them up right away indicates that.

Q.—It rather indicates that the shareholders thought that if you could for the moment leave out the immense advantage to policyholders, that it was a pretty good thing for the shareholders too? A.—I should imagine so.

Q.—The shareholders are now getting 12 per cent. dividend? A.—Yes.

Q.—I suppose it is not in any way indicative of what your ultimate ambition is in regard to shareholders? A.—That would depend entirely upon what profits the company makes.



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Q.—I suppose it would be rather difficult to pay much larger dividends than 12 per cent.? A.—How do you mean? As we have taken no profits heretofore, and if we take a share of the profits in the future—

Q.—Yes, make it continuous. It would be rather an objection to your company that you were paying out so much money to shareholders? A.—No, there are some English companies paying 100 per cent., and they are the safest and best companies in the world.

Q.—On their original capital? A.—Yes. They take a limited share of the profits, but their capital is very small in proportion to their funds.

Q.—Was it not regarded by you and the directors as a feasible thing to increase the capital so that the dividend would appear smaller? A.—No.

Q.—That was never discussed? A.—No.

Q.—Not between you and any other director? A.—No. Not for any other reason than that which I urge as to the increase of capital. Some were opposed to it and did not want to issue additional capital, and I discussed the matter with our agents, and some of the agents discussed it. I see one agent who was representing our company in the audience just now. He was superintendent of agencies, and he came up and with others urged very strongly the increase of capital to strengthen the company, and a reduction in the cost of getting business.

Q.—How? A.—Because a canvasser can do more business if he has not got to explain that his company is strong and solvent. If he has first to convince the customer that his company is good and solvent before he can do business it is a disadvantage.

Q.—It is odd that a shareholder should wait until the thing seemed to be so good that they are able to pay a premium to persons for the privilege of taking up their stock? A.—You would not suggest a company would issue its shares when no person would take them. It would be rather a thick-headed Board of Directors who would do that.

Q.—You thought you would have difficulty in getting it placed before that? A.—Yes. At times I bought them at par just simply to prevent them being advertised in the newspapers.

Q.—You bought between 300 and 400 shares at times from the other shareholders? A.—Yes. We had some shares of the Great West Life

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advertised for sale, and I applied for them, found out who it was, and purchased them, and some companies in Toronto advertised in the papers some of the new companies there, and if the directors are really interested in the success of the company they will purchase them to take them off the market. It is a serious blow to the company.

Q.—You bought them and sold them as soon as you could? A.—I sold them.

Q.—You bought and sold over 300? A.—Yes.

Q.—You made a transaction that brought other shareholders into the company? A.—Yes.

Q.—In lieu of some that dropped out? A.—Yes.

Q.—At a loss or profit to yourself? A.—At a loss, I think, over the whole transaction. I bought some and held them for a year or two and sold them at the same price. That is at a loss.

Q.—That is when they were not paying dividends? A.—I transferred a lot of shares to J. Herbert Mason, and made a loss on them, and my transactions showed a loss to me.

Q.—How many to Mr. Mason? A.—I cannot remember how many just now.

Q.—Your original stock-holding is 200? A.—No, 100 originally I think—yes 100.

Q.—You have indicated now how \$8,000 of capital stock was disposed of, have you not? A.—Yes.

Q.—How was the other \$200,000 disposed of? A.—It was issued at a premium of 60 per cent.

Q.—With a 25 per cent. call of capital and premium? A.—Yes, at \$40 a share, with 25 per cent. called up.

Q.—Was it decided to issue it at that premium at the same time that you issued to the other shareholders at 125? A.—No, we first issued the others to see if it would be taken. If it had not been taken up freely we would not have issued any more.

Q.—Had you decided to issue that 160 if the first went off all right? A.—Yes, that is my recollection, but if it did not go off we would be in a position to withdraw.

Q.—Did you take any at 160? A.—I do not think I did.

Q.—Did the Directors take any at 160? A.—Yes.

Q.—Then the upshot was that you increased from 100 originally to \$9,600 of stock, did you not? A.—No, I

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never had more than 194 shares. That is the most I ever owned.

Q.—Did you get more than a duplicate of the number of shares that you held? A.—No. I unfortunately parted with some of my shares so as to interest people in the company.

Q.—You did not buy this new issue of stock to increase your own holding out of proportion to the other shareholders? A.—No, I was holding comparatively few at the time, not nearly my original holding; so I got comparatively few at 125.

MR. TILLEY: Can you tell us how that is Mr. Jardine?

MR. JARDINE: Mr. Brock's largest holding is 196. He has that at the present time.

MR. TILLEY: How many had he at the end of January or February, 1903.

WITNESS: How many did I get on the 25 per cent. basis?

MR. JARDINE: He had 30 shares.

MR. TILLEY: Before the new agreement?

MR. JARDINE: Before the new agreement.

MR. TILLEY: Then by the new allotment he got 30 more.

MR. JARDINE: Yes.

MR. TILLEY: How did Mr. Brock get the rest?

MR. JARDINE: Just by purchases since.

WITNESS: I purchased them at various times since.

Q.—From whom? A.—From R. Wilson-Smith of Montreal, the largest single purchase.

MR. TILLEY: Has Mr. Brock not purchased any since?

MR. JARDINE: No.

Q.—From your account in the stock ledger it appears you had 30, and you got 30 new shares, making 60, and since then you bought from time to time during 1903, but principally, in fact entirely, in the months of November and December, 1903, you bought shares to bring it up to 196? A.—No, not entirely. Some of the shareholders who did not wish to take up their shares gave them to me.

Q.—You got 40 in January? A.—Yes.

Q.—Other than that it was November and December, 1903? A.—Yes.

Q.—Your increase was with respect to shares of shareholders who did not want to take them up? A.—Largely yes, and I bought from some after they had taken them up at a prem-

ium. I think the principal item is R. Wilson-Smith.

Q.—The highest you paid was at the rate of about 140? A.—Yes. Afterwards I paid 160 for the last 40—no, 187 Mr. Jardine tells me.

Q.—You paid at the rate of 187 in 1904? A.—Yes.

Q.—January, 1904, you were paying 187 for the stock—to whom—that last 40 shares? A.—Miss Dick.

Q.—Was she wanting to sell? A.—Yes

Q.—You paid 187, and the company was the year before increasing its capital stock, and issuing stock to shareholders? A.—Yes.

Q.—At 125? A.—Yes.

Q.—Did you adopt the principle of bonusing your agents? A.—We did, bonus the agents at times.

Q.—At what times? A.—Usually in the months of July and August, what we called the hot weather compensation.

Q.—In November and December? A.—No, we never give bonuses at the end of the year.

Q.—What bonuses do you give? A.—It varies. We give a cash prize sometimes to some of them, and an extra commission sometimes.

Q.—Where is the bonus that you give referred to in your minutes? A.—It is not referred to in the minutes at all.

Q.—Is it decided upon by the Executive? A.—The first bonus we gave was a gold watch valued at about \$125.

Q.—Under what conditions was it given? A.—It was given to the local agent who wrote the most of the business during the months of July and August, and it was won by our agent at Rat Portage, Mr. Kyle, who got the gold watch.

Q.—What next did you do? A.—Well, I really do not remember. Sometimes for years we have not given bonuses, and sometimes we give them. There is no regular system.

Q.—What is the largest bonus you have given? A.—Well, I could not tell you.

Q.—Give me some idea of what your bonus system means? A.—There is no bonus system. It is spasmodic.

Q.—Give me some idea of the spasms you go through? A.—In hot weather we have spasms sometimes.

Q.—What do you do? A.—And we try to get our agents to work during

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a period when perhaps otherwise they would have a vacation.

Q.—What do you do? A.—I cannot remember the terms of it.

Q.—Have you a copy of any circular you issue? A.—Yes, I can produce one.

Q.—Of the different years? A.—I do not suppose I could of all the different years. If I hunted up I might.

MR. TILLEY: Have you copies of the different years circulars, Mr. Jardine?

MR. JARDINE: Oh, I think we have.

Q.—Does that system of bonusing agents not conduce to writing business that passes off the books quickly? A.—Not with the safeguards we try to put around it.

Q.—Will those safeguards be shown in the circular? A.—Yes. We are careful to whom the bonus applies, and we will check it carefully. The bonus is not sufficient to make them give away anything, but to try to induce them to work at a time when they would not otherwise work. We give it to agents whose whole time is not devoted to our business, and in that way we try to get them to devote a portion of the time to our business when they would probably take a holiday, or work at something else.

MR. KENT: Q.—Like to-day. A.—Yes, like to-day. This is July, and we try to get them to shorten their vacation.

JUDGE MacTAVISH: Q.—Did you succeed? A.—Yes, it worked satisfactorily. I might explain that in that first instance it was hardly a bonus given by the company, because I gave the watch myself. It was not paid for by the company.

Q.—Have you continued to give the bonuses yourself? A.—No, since that I have not given them myself.

Q.—The company has given it? A.—Yes.

Q.—Does it not tend to induce agents to rather press unduly for business to get this bonus? A.—If you give them to agents who are devoting their whole time to the business, I think it does, and we leave them out.

Q.—Your idea is to give it to agents who are only giving part of their time to it? A.—Yes, to local agents who are giving part of their time to other business, perhaps fire insurance.

Q.—Otherwise it might lead to rebate? A.—Yes.

Q.—Which you regard as an evil? A.—Yes.

Q.—Does your company rebate? A.—The company have never rebated.

Q.—What do you mean by "rebated"? A.—The same as you do.

Q.—I would like to be clear on it? A.—That is giving a commission to a policyholder that would make his premium different from that of other policyholders of the same class.

Q.—Have you never issued any circular to policyholders offering any concession? A.—Yes.

Q.—Would you let me see that circular? A.—This is it.

MR. TILLEY: This is a circular headed Great West Life Assurance Company, Winnipeg, Manitoba, with the year left blank. What year was this issued in?

MR. JARDINE: 1903.

MR. TILLEY: What month?

MR. JARDINE: 19th March, 1903.

MR. TILLEY: Was it sent out to all policyholders?

MR. JARDINE: Yes, and only to policyholders.

MR. TILLEY: Was it sent out more than once? A.—No, only once.

MR. JARDINE: Just applied for two weeks.

MR. TILLEY: The circular reads as follows:

"Dear Sir: In view of the unequalled success of the business during the ten years just completed, it has been decided to give our present policyholders an opportunity to increase their insurance with us, and to allow them a discount of one-third off the first premium. The rate of premium at your age (blank) years next birthday on the (blank) plan is \$ (blank) per one thousand per annum. The above offer will only hold good provided the enclosed application form is completed and received here before the end of March. If you do not wish to increase your insurance you may be able to give us the names of some parties from whom it would be advisable to solicit insurance, and a space on the application form is left for these parties. Yours sincerely, J. H. Brock, General Manager."

Q.—That was sent out to all policyholders? A.—Yes.

Q.—And you do not call that a rebate? A.—No, I do not call that a rebate.

Q.—What do you call that? A.—An additional dividend—a dividend to our policyholders.



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Q.—It gave them the opportunity to take new insurance? A.—To take new insurance.

Q.—At a third less than the ordinary rate? A.—At a third off the first premium.

Q.—For the first year? A.—Yes.

Q.—And you say because you offered it to all your policyholders that therefore it took it out of the class of rebate? A.—Yes.

Q.—And in the same way if you repeated that offer every year, and kept on making the offer, you would say that that would not be a rebate at all? A.—If it were offered to all the policyholders under all the circumstances, no, it would not. It would not injure any policyholder whether he was a new policyholder or not.

Q.—That was issued to every person who was on your books? A.—Every policyholder who was on our books.

Q.—If a certain person did not care to take any insurance, or could not afford to take any insurance, he would have other persons being brought into the company without paying the full premium? A.—Yes, he would have business being brought in.

Q.—At less than the proper premium? A.—At less than cost, so that the man who did not take insurance benefits just as well as the man who did.

Q.—So long as you get the insurance at less than what it costs the company, the policyholder benefits? A.—Yes, and the other policyholder is benefitted, because the business of the company was increased at less than the normal cost.

Q.—So that if I come to your company to-day, and say I present myself for insurance, and I will take out insurance providing you give me a third off the first premium, that would be less you would have to pay an agent to get my policy? A.—Yes, but it would not be fair to give to you alone.

Q.—Why not be fair to give it to me on the principle you have applied that it is a saving to the other policyholders? A.—If it were offered to all the other policyholders it would be all right. Otherwise it would be giving the other parties who applied for insurance an advantage over the others. I can show you by a letter just how we answered that suggestion. Here are two letters.

Q.—You have supplied me with some letters by an agent of yours? A.—Yes, he is a party who was travelling and calling on the local agents.

Q.—Was he just commencing? A.—He had commenced sometime before that, but as you will see in his letter he had not secured any business, and wanted us to allow him a commission on his own premium.

Q.—When did you single this out? A.—I came across it just in looking over some other correspondence, and I just thought it would answer that very question.

Q.—This is in a file headed "Letters re rebate"? A.—I just put that on it when we come over here for our reference.

Q.—I will be very glad to look through that? A.—It answers the question.

Q.—It shows what you wrote to this man? A.—It shows the position we took in regard to rebates. There is my reply to his offer. It is the position we have always taken in the office.

Q.—You have never sanctioned rebate in the office? A.—No, neither the President, the Vice-President, Manager or Secretary, or anybody connected with the company, has ever given anything off.

Q.—You have never written offering rebates? A.—No.

Q.—Never in the history of the company offered a rebate? A.—No.

Q.—To any person? A.—No.

Q.—And never knew that you were giving one? A.—And never gave one by the company.

Q.—Never knew your company was giving one? A.—I have no doubt our agents have given them sometimes—those on commission.

Q.—Those on salaries? A.—We would not allow them to.

Q.—What would you do? A.—We collect the premium. It has to be paid in full.

Q.—I suppose he pays a sub-agent sometimes? A.—Not if he is on salary.

Q.—Do none of your salaried men ever make a rebate to some sub-agent for getting hold of an insurer? A.—A salaried man?

Q.—Yes? A.—Then we pay the commission of that sub-agent.

Q.—To him direct? A.—Yes.

Q.—You never pay anything to the salaried man to go to a sub-agent? A.—No, not to a salaried man.

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Q.—You do to a commission man?

A.—Yes, the commission man sends us the net premium, deducting his commission.

Q.—We will leave that phase of it. I may ask you to look up some correspondence. Do you know a system of switching policies from one company to another? A.—I know people who change.

Q.—And do you regard that as a proper system? A.—It depends altogether upon circumstances. I have no doubt that frequently it is endorsed. It is a great mistake.

Q.—From whose standpoint? A.—From the standpoint of the policyholder.

Q.—From the standpoint of the man who lets his policy go in one company?

A.—Yes, as a rule. If that company is insolvent, or if he is in some company where he is getting worse day by day, it is in his interest to do so.

Q.—Do companies ever make it worth while for an agent to get policies away from one company into another? A.—Yes, they always make it worth while when they pay the commission. Of course it does not matter where it comes from so long as he gets his commission.

Q.—Do you know of a practice whereby a company pays a little extra commission where the policy comes from a policyholder in another company? A.—I do not know of any.

Q.—Has your company ever authorized or paid anything to an agent in addition to his ordinary claim if he would get a policy away from another company? A.—I do not know that we have. I have no recollection.

Q.—I wish you would brush up your recollection if it is a matter of recollection. Has your company ever given its agent an extra commission if an application for a policy comes in from a policyholders in another company who lets his policy drop? A.—I have no recollection of anything of the kind.

Q.—Can you say you have not done so? A.—I do not think so.

Q.—Will you swear you have not?

A.—I have no recollection of having done it.

Q.—Surely it is a thing you would remember. That sort of practice is not a thing you would do and forget it? A.—If the agent would show us—possibly this case might occur—if the agent would show us he had some renewal interest with this policy in some

other company, and by transferring it to us that he was going to make a loss, then we might have done it.

Q.—Then you would say, "Get the policy, have it lapse in the other company, and transfer to us, and we will give you something"? A.—We might allow him something.

Q.—You want the business even if it constitutes a lapse with the other company, so much that you will compensate your agent for any loss he will sustain, although the insurer sustains a loss you will not compensate? A.—Yes, that might possibly be the case.

Q.—Won't you go further than to say that, because I should like to show what your company does? A.—There is no other ground that could possibly interest me than that the agent was making a loss.

MR. PATTERSON: How would he make a loss? A.—If he had a policy in a company and had renewal interest in it.

Q.—If he put it in your company he would have a renewal in your company? A.—Possibly he might have a loss if he put it in another company.

MR. TILLEY: There is nothing very pointed about that. Can you not tell me more about it than that? A.—No.

Q.—Does that apply to any particular company? A.—No.

Q.—Have you not gone further than that and paid agents a commission of 10 per cent. if they would switch policies out of some other company into yours? A.—We may. It may have been 10 per cent. in connection with a change of that kind.

Q.—Have you not offered them 10 per cent. if they would get a policy out of another company into yours without regard to whether they were getting a commission on the old policy or not? A.—It would not be without regard, it would be absolutely and only because they were losing a renewal interest.

Q.—You never authorized— A.—I have a recollection of getting a letter and having that given as a reason for increasing the commission 10 per cent. on some business—

Q.—Where was that? A.—My recollection is that that was in our British Columbia agency.

Q.—Who was the agent? A.—Our manager is Mr. Halse, and the agent was in Victoria.

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Q.—Who was the agent? A.—Mr. Matson.

Q.—What company did the policy come from? A.—Mr. Matson had previously been agent of the National.

Q.—You say you authorized the payment to Mr. Matson of 10 per cent. additional? A.—Where he lost his renewals in the National, where there was a loss.

Q.—Were you giving him renewals? A.—Yes, but he was getting a higher rate of renewal with the National than with us. We never pay over 5 per cent., and they were paying a higher interest.

Q.—Did that apply to any other agent than Matson? A.—I have no recollection of any correspondence about any other case, and I have no knowledge of any other case.

Q.—You might get me the correspondence relating to that? A.—If I can yes.

Q.—There would be no doubt about your ability? A.—Well, I do not know.

Q.—You do not destroy correspondence? A.—Well, I do not know. I will just see how that took place. We may have it, but that is my recollection.

Q.—Where was Mr. Matson agent then? A.—In Victoria.

Q.—Was it in Victoria he was getting this policy? A.—I suppose so; I do not remember that it referred to any particular policy.

Q.—I thought you said so a moment ago. Are you going to extend it? A.—It was in case he lost by losing his renewals on a policy that had previously been renewed.

Q.—Was your arrangement with Mr. Matson that on any policies he was getting a renewal commission in the National that if he would get those policies from the National into your company that you would compensate him for that loss? A.—That if he made a loss we would compensate him, I think it was limited to 10 per cent. —Q.—10 per cent. of the premium? A.—Yes.

Q.—Do you think that that sort of business is wholesome life insurance business? A.—No, I do not. I think it is an entire mistake for the policyholder.

Q.—And for any person else than the policyholder? A.—As I understand one of the principal policies was on his own life, and he did not wish

to continue it, and he stated that some of his friends also wished to change to our company.

Q.—Had he been an agent in British Columbia? A.—Yes.

Q.—Did that arrangement apply to any person else than Matson? A.—It only applied to Mr. Matson's arrangement. He had some sub-agents there.

Q.—Would that apply to all his sub-agents? A.—It would apply to any business that came through Matson.

Q.—Matson was agent for British Columbia for the National? A.—I do not know what his agency was for the National. He was our agent for the island of Vancouver.

Q.—He had been the agent for the National? A.—Yes.

Q.—And had been their general agent? A.—I do not know exactly what they called him.

Q.—He became your general agent? A.—He became an agent for us in Victoria.

Q.—So that at the time he became your agent he left the National and went to you? A.—He had left the National.

Q.—I am not meaning that you took him away from the National. You say he left the National and then afterwards became your agent? A.—He showed us contracts with other companies. In every instance he was offered higher commissions by other companies than by us, even with the extra arrangement we gave him.

Q.—The arrangement must be getting a little more definite in your mind? A.—Certainly. When I thought of Matson I remembered.

Q.—Was that arrangement made with Mr. Matson when you engaged him? A.—I think so. It was his original contract.

Q.—Who engaged him? A.—Engaged by Mr. Halse.

Q.—Who is he? A.—Our manager in British Columbia.

Q.—Was the agreement in writing? A.—Yes.

Q.—Was the agreement about 10 per cent. additional in writing? A.—I have no doubt it was.

Q.—In his contract? A.—I guess so.

Q.—Is that contract still in existence? A.—I think it is.

Q.—We have no copy of it? A.—I do not think so.



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Q.—Why not? A.—We have given you a copy of our agency contract and the commission arrangement.

Q.—That is not quite what we ask for, is it? The circular says, "Furnish statement showing by name all the officers, directors, and agents of the company, and salaries commissions or other remunerations received by or credited to each." Sub-section 4, "Salaries and commissions of field or soliciting agents, produce contract with such agents where they are written contracts, whether by correspondence or otherwise." There is no inkling in your return of any such arrangement with Matson. You have given us a list of the agents? A.—Yes, and this gives the form of the contract.

Q.—The printed objectionable clauses? A.—It gives you the different conditions.

Q.—That is not the terms of the contract with the agent. Here is a contract with Matson whereby he gets 10 per cent. additional. I should like to see the original contract. Having made that contract with Matson on all the business he would get out of the National and into your company, there was 10 per cent. extra given him? A.—In which he lost on renewals.

Q.—Was there a stipulation in that contract that there must be a loss on renewals? A.—Yes, that was distinctly understood.

Q.—Had Matson then left the National? A.—Yes.

Q.—He would get no more renewals? A.—Excuse me, his renewals were continuous.

Q.—And if any policy lapsed in the National he would lose something? A.—Yes.

Q.—There was no policy he had written in the National that would not come under this category? A.—If he was getting a renewal?

Q.—They would all be that? A.—Yes.

Q.—So that, broadly, on all the policies that he switched out of his own company into your company he would get 10 per cent? A.—Yes.

Q.—Do you know of anything that as between companies is a more vicious thing than that in respect of the conduct of their agents? A.—It was simply preventing the agent from making a loss on business that he believed he should get any way.

Q.—From a life insurance standpoint, considering the policyholders

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and the company, is there any condition that is worse than that to-day?

A.—I think there is.

Q.—Describe them. We want to know if there are any conditions worse than that? A.—There might be many.

Q.—Describe them. A.—Here is a case where an agent has business that will come to him, his own insurance, and others that he controls that will come to him wherever he goes—

Q.—Do you take into account the loss that there would be to the policyholders by that transaction? A.—Yes, but that is a question of course. There may or may not be a loss to the policyholder.

Q.—How could there not be a loss to him? A.—It may have been a case in which he was paying a higher premium continuously.

Q.—That is to say the premium in the other company may have been higher? A.—Yes.

Q.—Have you any knowledge about that? Was that any condition about the arrangement? A.—I do not know that it was.

Q.—When Matson would transfer that policyholder from the National to you would he get his full commission on the first year's premiums? A.—Yes.

Q.—Surely that would compensate him for his renewals? A.—If he kept it all and did not divide it up with the policyholder.

Q.—The theory is that he would have to use some of that with the policyholder? A.—That is the theory. I have answered the question that it was on account of the loss in renewals.

Q.—Could there be a loss in the renewals if he got another full commission from you on the first premium? A.—In addition to the other company?

Q.—Yes. Is it not a fact that you made that arrangement so that he could practically rebate his whole commission so that the man could drop his policy with the other company and come into your company? A.—The 10 per cent. would be a small percentage.

Q.—What commission does he get from you? A.—Five per cent.

Q.—He gets a renewal commission from you? A.—Yes.

Q.—The full first commission from you? A.—Yes.

Q.—And the extra commission at 10 per cent. on these National poli-

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cies? A.—Yes, that is my recollection.

Q.—Is not that a very, very bad state of affairs promoted by your company? A.—Well, it might be objected to on that ground.

Q.—You would object to it if you were any other person than the Manager of the Great West? A.—If it were an alternative of giving him a contract that he was offered by other companies, and several other companies, that gave him a very much higher commission all the way through—if he were getting a higher commission all the way through then he could very easily forego his special commission in those cases.

Q.—Have you that arrangement with other agents? A.—No.

Q.—Did you ever take an agent that had been in another company? A.—Yes.

Q.—Had you that arrangement with him? A.—No.

Q.—That applies to the National only? A.—That is the only case that I have any knowledge of at all.

Q.—That is a worse thing than rebating in the ordinary sense? A.—You may think so.

Q.—What do you think about it? A.—I do not think so.

Q.—You may think the ordinary rebating that you have disclaimed doing is worse than giving a bonus to switch policies? A.—General rebating, yes. I think the one special case, and confined to that, cannot be as bad as a general principle.

Q.—One case where you make it worth the agent's while to go to the old policyholders and by any argument he can put up get them out of that company by any misrepresentation or otherwise, and get them into your company? A.—You might just as well say that every time an agent changes from one company to the other it is worth his while, if he can do so, to get the policyholders to come into the other company. When the total commission we pay, including this extra 10 per cent., is still a less commission than he could have got from several other companies, then the reason for his taking our agency must be that he preferred it and believed we could do better for the policyholders.

Q.—Then if that contract of yours became advantageous to you just by virtue of that 10 per cent., that shows

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the volume of business you expected to get out of the National and into your company? A.—No, we expected very little. The reason we allowed it was that it was a matter of little consequence, and very few policies changed.

Q.—I would like before going further to have the full correspondence about that? A.—You will have to go to British Columbia.

Q.—And I want a statement showing how the 10 per cent. was paid?

A.—Yes. We could not distinguish which policies were in the National. We would have had to leave that to the British Columbia agents to say.

Q.—Can you tell me the name of any other company that was competing for Matson's services at that time? A.—Yes, the Sun for instance.

Q.—Can you say whether the Sun was offering the same sort of contract? A.—I know the commissions they offered were higher.

Q.—Do you know whether they were paying a premium on pooling with the insurance? A.—It does not make a bit of difference whether you put your premium and limit it to specific cases, or whether you give it to all cases.

Q.—But the premium may very well be for a new business not connected with the National at all? A.—It is all new business to the company which gets it.

Q.—Surely you appreciate the objection to getting policyholders into one company and then out of that and into another? A.—It did not make any difference. He was changing them anyway. Many of them were changed like his own policy, and he intended to put them in our company.

Q.—Would he have done it without the 10 per cent.? A.—He might have done it. It never would have been referred to at all if we had duplicated a proposition on his own life.

Q.—Did the proposition come from you or from him? A.—It came from him unquestionably to make up the loss when we would not increase our commissions to make up as high commissions as he was getting from the Sun Life.

Q.—Were you there when the agreement was made? A.—I was there when it was confirmed.

Q.—Personally on the ground? A.—Yes.

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Q.—And you personally— A.—Saw the Sun contract and the commissions offered by the company.

Q.—And you personally agreed to that? A.—Yes, it had been discussed by our manager, and there had been correspondence in connection with it, but I refused to negotiate with him at all if he was still an agent of the National, and it was only after I was satisfied he had left that company that I negotiated with him.

Q.—I do not think I would say much about that phase, about refusing to deal with him till he left the other company, because the other transaction speaks for itself. Do you mean to say that transaction was not present to your mind when I commenced asking you about that? A.—No, it was not in my mind.

Q.—Is it in line with any other transaction? A.—No, the only case we had.

Q.—Was it anything against the National Company? A.—No.

Q.—Just a matter of getting business? A.—Yes. The agent wanted to come to us. He was a good agent and had written a large business.

Q.—You will be able to tell what that 10 per cent. amounts to? A.—No, but our agent in British Columbia will be.

Q.—He is your head agent for Vancouver Island? A.—Yes. They will know at the British Columbia office.

Q.—Have you no return at all? A.—No.

MR. TILLEY: Have you anything at all in your office, Mr. Jardine, that indicates how your commissions are made up?

MR. JARDINE: I think that we will be able to make that up.

MR. TILLEY: Is there any doubt that you will be able to make it up? One could hardly imagine that you could not.

MR. JARDINE: I have not seen the account. I am pretty sure we can.

MR. TILLEY: You know how that account is kept, and how you dealt with your agents for such localities as that. You know your method of bookkeeping?

MR. JARDINE: I have not seen the account myself.

MR. TILLEY: Can you not tell whether you can give that information?

MR. JARDINE: I tell you I believe we can.

MR. TILLEY: Don't you know it? MR. JARDINE: No, I cannot say that.

MR. TILLEY: If it is kept in the ordinary way in your office you can?

MR. JARDINE: Yes.

Q.—Have you re-insured at any time in your company the business of any other company? A.—Yes.

Q.—What other company? A.—Dominion Safety Fund Life Association.

Q.—Who conducted those negotiations? A.—I did.

Q.—With whom? A.—With J. De Wolfe-Spur.

Q.—Was he the President of the Dominion Safety Fund Association? A.—Yes.

Q.—Was that a Dominion incorporation company or a Provincial one? A.—A Dominion.

Q.—Was it an assessment company? A.—In one sense, yes.

Q.—In what other sense no? A.—Well, they fix the premium on a certain basis, but if that was not sufficient they had the right to assess.

Q.—They reserved the right to raise the premium? A.—Yes.

Q.—Was that shown in their policies? A.—Yes.

Q.—Have you the form of their policies? A.—I expect we have.

Q.—Have you it here? A.—We have the policy we issued to those policyholders.

Q.—I should like to start by getting at the nature of their business? A.—Our policy is practically a duplicate of theirs—the one they issue.

Q.—Have you the policies of the Dominion Safety Fund here? A.—No.

MR. JARDINE: I can get one for you in a moment.

MR. TILLEY: Q.—When you took over the Dominion Safety business did you get their books and papers? Did you get everything that was with the company—I mean in a general way?

MR. JARDINE: Just got a statement of the policies in force.

MR. TILLEY: Would you have their literature that they used with their policyholders before? A.—Some of it we have.

MR. TILLEY: I would like to have that, and the policies they issued, and the books they had indicating rates and I should like the policies your company issued following the



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transactions right through and I can go into that to-morrow morning.

MR. JARDINE: All right.

WITNESS: You have the agreement and list of policyholders.

MR. TILLEY: Yes.

Q.—You have prepared a profit and loss statement, Mr. Brock? A.—Yes. (Exhibit No. 394.)

MR. LANGMUIR: Have you your printed report for 1905?

MR. JARDINE: That is it in front of you.

JUDGE MAC TAVISH: The proceedings of the annual meeting? A.—Yes.

MR. LANGMUIR: Q.—Is it printed and distributed? A.—Not in the same detail that it is given in this book.

MR. TILLEY: Q.—You gave in the first item the amount. You show the loading of your first year's premiums and your expected death loss. Your actual loss was \$4,500? A.—Yes.

Q.—Making a gain with respect to the death loss that you might have anticipated in the year of \$19,000? A.—Yes.

Q.—That is the death loss you would anticipate according to the table of mortality that the Government uses? A.—For half the year practically, not the year.

Q.—You have divided it by the half of the year? A.—We have taken it just half.

Q.—I suppose you are responsible for the statement to a great extent.

MR. TILLEY: The company has no resident actuary other than yourself, Mr. Jardine?

MR. JARDINE: No.

MR. TILLEY: I do not want to infer that you are not a thoroughly competent one; and under Mr. Standon you do the actuarial work?

MR. JARDINE: Yes.

MR. TILLEY: But you have not taken any examination?

MR. JARDINE: No.

MR. TILLEY: And do not treat yourself as a full-fledged actuary?

MR. JARDINE: No.

Q.—In that statement in respect of new business, have you taken the anticipated death loss according to the table of mortality and the actual death loss with respect to twelve months or six months?

MR. JARDINE: Six months.

MR. TILLEY: You do not take it with respect to twelve months?

MR. JARDINE: No.

MR. TILLEY: You took it merely with respect to policies issued in 1905 and stopped the computation on December 31st?

MR. JARDINE: Yes.

MR. TILLEY: That is to say the policies would average issued on the first July, you took it for granted?

MR. JARDINE: Yes.

MR. TILLEY: You did not take into calculation the gain that would be effected on the first half of the preceding year? A.—No.

WITNESS: We read it over a good many times, and we understood that was what you wanted.

MR. TILLEY: Was this submitted to Mr. Standon?

MR. JARDINE: No.

MR. TILLEY: You computed it yourself?

MR. JARDINE: Yes.

MR. TILLEY: What do you say as to actual death loss to expected death loss of \$4,500 to \$23,500? Is that a little less than you would ordinarily expect, or is it about the average?

MR. JARDINE: It is about our average.

MR. TILLEY: Are you in the habit of making such a computation as this gain and loss exhibit shows each year for your company?

MR. JARDINE: Yes.

MR. TILLEY: You had been in the habit of preparing one?

MR. JARDINE: Yes.

MR. TILLEY: Not for publication.

MR. JARDINE: No.

MR. TILLEY: Where did you get your former statement? Did you get it from any of the American returns as to the gain and loss.

MR. JARDINE: We compared the death losses.

MR. TILLEY: You have not been in the habit of making up a gain and loss exhibit?

MR. JARDINE: No.

MR. TILLEY: Except in respect of mortality?

MR. JARDINE: That is all.

MR. TILLEY: Do you think there is any advantage in having a company prepare such a statement as this in connection with their annual return that they make to the Government?

MR. JARDINE: There would be on a proper basis.

MR. TILLEY: It is the sort of statement one may criticize almost any form.

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MR. JARDINE: It would be pretty hard to get a form which—

MR. TILLEY: A form which is absolutely free from criticism?

MR. JARDINE: I think so.

MR. TILLEY: You think if some form is adopted it would be useful in showing the division of first year and renewal business and where the sources of profit and loss are?

MR. JARDINE: Yes, if that can be done.

MR. TILLEY: Your total margins including the margin and the death loss would be according to your figures \$61,714.

MR. JARDINE: Yes, sir.

MR. TILLEY: Your expenses for the first year were \$203,009?

MR. JARDINE: Yes.

MR. TILLEY: How did you meet those expenses by way of dividing them from expenses of renewal? What basis did you compute them on?

MR. JARDINE: We took the percentages of the different amounts.

MR. TILLEY: Did you apportion it on the principle of 10 for 1, 10 for new business and one for old, or 15 per cent. for renewal business.

MR. JARDINE: No, we sought to get it as closely as we could.

MR. TILLEY: By actual division?

MR. JARDINE: Yes.

MR. TILLEY: You went over it and made an apportionment of the business as nearly as you could?

MR. JARDINE: Yes.

MR. TILLEY: Without taking any particular ratio?

MR. JARDINE: No.

MR. TILLEY: Your loss on the first year's business would be \$141,215, according to this statement?

MR. JARDINE: According to that statement, yes.

MR. TILLEY: Calculated in that way it would show that loss?

MR. JARDINE: Not in the year. You have the year's expenses charged, and you have half a year's mortality.

MR. TILLEY: I say calculated in that way that you have understood this question to mean you show that loss or apparent loss.

MR. JARDINE: Yes, if that were a correct calculation that would be the loss.

MR. TILLEY: What would you say you should be given credit for there in the shape of gain in mortality for a whole year? Do you think the \$19,000 should be multiplied by two?

MR. JARDINE: I do not see where the gain in mortality comes into your question at all. This is certainly not a gain.

MR. TILLEY: It is a saving.

MR. JARDINE: No, it is not a saving.

MR. TILLEY: What is it?

MR. JARDINE: It is the way we expected to have to pay in 1905, but we did not have to pay in 1905. It is a postponement.

MR. TILLEY: Is that not a saving for the year?

MR. JARDINE: No, sir; not at all. If you have a debenture payable on the 31st December, and that 31st December happens to be on Sunday, and you pay it on Monday, do you say that you save paying that debenture?

MR. TILLEY: No, I say saving it on that day, and when the day comes I do pay it, it is shown in my statement as a loss with respect to that day.

WITNESS: It is neither a gain nor a loss.

MR. TILLEY: I think you and I understand each other on that?

MR. JARDINE: Yes.

MR. TILLEY: I am speaking for the year 1905. If you had progressive statements made up in this way, that would indicate the position precisely.

MR. JARDINE: Over long periods, but not for one year.

MR. TILLEY: You may get the full mortality every year, Mr. Brock? A.—That is not the point. What we contend is that it is a deferred payment, and we would gain the interest for the time deferred, and possibly the premium for a year or more, but that is the only gain.

Q.—It is not the only gain made up on the basis of bringing into 1905 what you apparently realized— A.—It is a payment that is not made that year that you expected to make that year.

Q.—It is saved for that year? A.—It is still a liability.

MR. TILLEY: Let me ask Mr. Jardine this question: is there or is there not in your opinion a permanent saving in mortality, having regard to the Hm. table in Canada?

MR. JARDINE: Yes, sir; that has been my experience.

MR. TILLEY: So that there has been some saving with respect to that item?

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MR. JARDINE: There would be, yes.

MR. TILLEY: And it is proper to go into the gain and loss exhibit?

MR. JARDINE: To its proper extent.

MR. TILLEY: Q.—And if you show the first year in that way, and show the renewal, and carry that on from year to year, you show in the result just how you come out? A.—Yes, if you take your renewals, but if you omit the first year's statement out of the other, and then speak of that being a loss—

MR. TILLEY: It is only a gain or loss in the way we have indicated. Can you say what percentage you have been realizing on your mortality on the H.M. table average?

MR. JARDINE: I could not, for we have not made it up ourselves on the H.M. table lately.

MR. TILLEY: What table have you made it up on?

MR. JARDINE: We have made it upon the O.M. table and discounted it.

MR. TILLEY: What discount have you taken?

MR. JARDINE: For the medical selection the first ten years.

MR. TILLEY: That is to say, you have taken into your account the difference from the table that might be expected from the fact that you recently selected the lives, and had them pass the medical examination?

MR. JARDINE: Yes. The death rate should be more favorable.

MR. TILLEY: During that ten years after the medical examination?

MR. JARDINE: Yes.

MR. TILLEY: Then can you tell me how you came out with respect to that?

MR. JARDINE: Well, about 72 per cent. of the expected.

MR. TILLEY: When was the last time you compared the death rate with the H.M. table?

MR. JARDINE: I could not say offhand, possibly three years ago.

MR. TILLEY: And from the organization of the company up to three years ago had you used the H.M. table?

MR. JARDINE: We had not made the comparison in earlier years. It was useless to do it, because we had not sufficient experience to make it of any value.

MR. TILLEY: What is the knowledge you have got compared with the H.M. table?

MR. JARDINE: My recollection is that it was about 33 per cent. of the H.M. table.

MR. TILLEY: During the earlier years of your company?

MR. JARDINE: Yes.

MR. TILLEY: Then your loading of renewal premiums in 1905, \$126,146, expenses \$51,843 showing a profit from that source computed in that way \$76,303. Now your expenses on new business and renewal business greatly exceeded your loadings?

MR. JARDINE: Yes.

MR. TILLEY: That is your expenses would be over \$254,000, and your loadings on premium, leaving out your gain in mortality, would be about \$170,000?

MR. JARDINE: Yes.

MR. TILLEY: What do you mean to be inferred from your answer that you found your loadings on your premium sufficient to cover the expenses? Do you mean that taken into consideration with the gain in mortality.

MR. JARDINE: Not at all; the gain in mortality and the fact that the loadings were spread over the whole period of the policy.

MR. TILLEY: Having regard to the continuous receipt of the premiums from this date on.

MR. JARDINE: Certainly.

MR. TILLEY: Q.—Do you say, Mr. Brock that you could pay all the expenses of the company out of the loading on the premiums, if there was no gain in the mortality according to the H.M. table, and so on? A.—It depends on the amount of new business in proportion to the old.

Q.—I mean to say on the ordinary progress of the company's business as it is going ahead? A.—Yes, I think so.

Q.—You think that would be sufficient? A.—Yes.

Q.—Without the idea of receiving a higher rate of interest on your investments than you are bound to compute? A.—Yes, I think it would cover the expenses. Of course we look to the others for our dividend.

Q.—There seems to be a great difference between the renewals and the loadings here? A.—Yes.

Q.—What rate of interest have you received on your moneys? A.—About 7½ per cent.



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Q.—For how long back? A.—Since we started.

Q.—That is on an average? A.—Yes

Q.—Has it been subject to increase and decrease? A.—It has not varied very materially.

Q.—Have you any record that would enable you to speak confidently about that? A.—Yes, we could make up a statement.

Q.—Your investments have been principally in real estate? A.—Principally mortgages on real estate.

Q.—You have had most of your loans throughout western Canada? A.—Exclusively.

Q.—Have you any portion of the business beyond Canada? A.—Not up to the end of 1905.

Q.—Have you since that date? A.—We have just started business in North Dakota now.

Q.—Have you any investments outside of Canada? A.—No.

Q.—Any mortgages on lands outside of Canada? A.—No.

Q.—Did you purchase any mortgages at any time in the city of St. Paul? A.—No.

Q.—Were you offered them? A.—We may have been offered them by circular.

Q.—I gathered from your minute that you had been offered them? A.—Yes, we frequently have circulars sent, and we submit them to the executive.

Q.—But you never approved of them? A.—No, never bought any under any circumstances at all. There may be a mortgage in the Parish of St. Paul in this country. We bought one mortgage in the Parish of St. Paul.

Q.—Your expected death losses for 1905 computed were \$183,300, and your actual losses \$105,181? A.—Yes.

Q.—That would show a saving in mortality in renewal business of \$77,419? A.—Yes.

Q.—And that is where the actual payment in respect of the saving in new business would fall into, if you treated it as a saving in the first year? A.—Yes.

Q.—Then you have a small amount for annuity claims, your interest amounting to \$171,103, after deductions, leaving a gain of \$53,639, and you say you will be able to furnish a statement showing how your average interest earnings have been running? A.—Yes.

Q.—Then your reserves released by surrender and lapse on policies—that would be all your reserves released by surrender and lapse, \$30,172?

MR. JARDINE: No.

MR. TILLEY: Did you bring into that statement the reserves released where the policyholder was not entitled to any surrender?

MR. JARDINE: No.

MR. TILLEY: Why?

MR. JARDINE: Because the statement apparently does not require that.

MR. TILLEY: Reserve released by surrender and lapse?

MR. JARDINE: Less surrender value.

WITNESS: We understood that where there was no surrender value you did not want them put in.

MR. TILLEY: Q.—We should have that in, Mr. Brock. A.—We will put that in, because it will increase our balance. We discussed that for some time.

Q.—Amount allowed \$11,935, making the profits from that source \$18,237, which of course would be increased if you took in reserves released before policy was entitled to any surrender? A.—We had the other item all drawn out, but we decided it should not go in, we had better get the exact figures.

MR. TILLEY: Now, Mr. Jardine, that seems a large amount to save where the policyholder were entitled to the surrender value. If the policyholders were entitled to the surrender value on a lapse or surrender, one would hardly expect you to save much from that source, because they would get it.

MR. JARDINE: We do not say that. This statement calls it a profit, but it is not a profit.

MR. TILLEY: It is a release of an amount you have had to charge up as a liability.

MR. JARDINE: It is an amount we will require to expend to replace that same business.

MR. TILLEY: It goes in reduction of the first year's business.

MR. JARDINE: The first year's expenses.

WITNESS: But the expenses are not added to the profits.

MR. TILLEY: Q.—That is quite understandable. It shows how the amount is reached. A.—You asked if it were excessive. We deduct the first

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year's premium, which is the average cost of securing new business.

Q.—What provision have you for a surrender value? Does the insured get the surrender value where he applied for it? A.—Yes, it is automatic.

Q.—Since when? A.—1900.

Q.—What was the rule before that? A.—Before 1900 he had to apply for it.

Q.—Within a certain time? A.—Yes.

Q.—Within what time? A.—Within three months.

Q.—Did he not have to apply for it before he made his default? A.—No.

Q.—Was not that ever the rule? A.—No. For surrender paid-up insurance we always gave six months.

Q.—That will be shown by the terms of your policy? A.—Yes.

Q.—Was that the rule in force? A.—Yes, it would be, but if there were some cases where there was merit in it, the matter would be considered.

Q.—What would you treat as constituting merit? A.—If a man showed us he was away—

Q.—Or if the family was in need, if the beneficiary was in need? A.—And if he came in and showed us he could not attend to it. When an agent reports to us that a policy is not renewed, we write him three letters, we try to keep him on the books.

Q.—Did you indicate to him in those circulars that if he did not want to continue there was something on his hands? A.—That he should either take a loan and continue the policy, or if he did not take a loan there was a surrender value in it.

Q.—Will you get me those letters? A.—We have them here now. These are the circulars.

Q.—You say that one of these files of correspondence shows the letters the head office sends out? A.—Yes.

Q.—This is one marked exhibit 395? A.—Yes.

Q.—Those are the circulars sent out by the head office in case of a loan? A.—Yes, practically by the branch office.

Q.—And exhibit 396 contains the circulars sent out by the branch offices in respect of the same matter?

MR. JARDINE: Yes.

MR. TILLEY: Then, Mr. Jardine, would you tell me what it means in this statement where it says, "less credit to special fund in 1905,

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\$23,135? A.—That is the amount of interest on paid-up stock, that the stockholders—

Q.—So that you have taken that, have you, actually in your books? A.—No, just for this statement.

MR. TILLEY: I understand you don't compute and show the reserve in your books as a liability?

MR. JARDINE: To the stockholders?

MR. TILLEY: No, to any person?

WITNESS: No, it is put in at the end of the year.

Q.—But it finds its way into the return to the Government? A.—Yes.

Q.—But it is not put in the books as a return to the Government? A.—No.

MR. TILLEY: Don't you think that should be done, Mr. Jardine?

MR. JARDINE: There is no objection to it.

MR. TILLEY: It is a real liability of the company?

MR. JARDINE: Yes, for that time.

MR. LANGMUIR: Is it shown in the Government returns?

MR. JARDINE: Oh, yes.

WITNESS: It is varying every day. If we carried it every day in our books it would be varying. You would have to change it every day.

MR. TILLEY: Q.—You would have to compute interest? A.—Yes. There would be 365 sets of entries every year that are absolutely useless.

Q.—Will you tell me how you compute your reserve fund at the end of each year for the Government return? At what rate do you credit—

MR. JARDINE: 6½ per cent.

MR. TILLEY: Why did you choose that?

MR. JARDINE: It was somewhat lower than the regular rate.

MR. TILLEY: Q.—Why did you take it lower than the regular rate, Mr. Brock? A.—Because we wanted to allow the expenses of the investment off the rate of interest.

Q.—What amount did you take for investment expenses? A.—We took one per cent.

Q.—You assumed the company was making 7½? A.—Yes.

Q.—On what amount did you compute it? Did you compute it on capital and premium or premium only?

MR. JARDINE: Capital and premium.

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MR. TILLEY: You treat the money the company receives by way of premium as shareholders' money?

MR. JARDINE: Yes, for that account.

MR. TILLEY: And the figures you have given us showing what would be interest on shareholders' money would always take into account both premium and capital?

MR. JARDINE: Yes.

MR. TILLEY: Q.—You have invested in two stocks, Mr. Brock, have you not? A.—Yes.

Q.—What are they? A.—Canada Permanent Mortgage Corporation, and the Canada Landed National.

Q.—What return do these stocks make you on the money invested? A.—Five per cent. in one case.

Q.—Which? A.—Canada Permanent, and about 5 7-8 on the other.

Q.—In both cases less than the average rate of interest you are making? A.—Yes.

Q.—And you disapprove of ordinary investment in stocks, do you not? A.—Yes.

Q.—Because you think a better yield of interest, and probably a safer investment can be made in real estate? A.—First mortgages on real estate. So long as we can get those I think the great bulk of our investments should be in first mortgages on real estate.

Q.—Was there any special reason for departing from your usual rule in the case of those two stocks? A.—We decided we ought to have a certain amount of what might be called a liquid asset, that if we wanted to realize at any time that amount of money we could immediately place it upon the market.

Q.—You thought you should have some money that could be quickly realized? A.—Yes, and besides this is practically a mortgage investment, and we believe the rate of interest on this should be increased.

Q.—You are loaning it to a company that again lends it on the same security that is open to you? A.—Except that they lend in the east as well as the west.

Q.—You would not admit for a moment that the eastern investment could be compared with the western? A.—They have not been so far.

Q.—You think the eastern investments are handicapped? A.—Yes.

Q.—It would not do to get away from that? A.—No.

Q.—Besides having investments down east they must charge you for investing the money? A.—Yes.

Q.—Not only is their field not as favourable as your own, but you do not get the full return? A.—But they have this advantage; they borrow money at a low rate of interest, and they lend that at a profit.

Q.—And you get some advantage from that?

Q.—Had your investment in the Canada Permanent anything to do with Mr. Mason being on your Board? A.—Nothing whatever. Mr. Mason did not know anything about the purchase of debentures.

Q.—Was it debentures or stock? A.—Stock.

Q.—He had been on the Board before you made the purchase? A.—For years.

Q.—Have you any association with the Canada Permanent Company now? A.—Yes, we are tenants of theirs.

Q.—You, personally? A.—No, personally I have none.

Q.—Or make valuations for them? A.—No.

Q.—Is there any business relation between the Canada Permanent and the Great West Life? A.—None whatever.

Q.—You are simply a shareholder in that Company? A.—Yes, and the same with the Canada Landed National.

Q.—You are holding this as an item of investment that you can turn into money more quickly than you could real estate? A.—Yes.

Q.—I suppose mortgage loans can always be converted into money? A.—Not always. I have seen the time when all the companies were over-invested, and you could not turn them over at that time.

MR. LANGMUIR: Have you seen the same thing in regard to stocks? A.—Well, they could be turned over at some price. It is only a question of the expense. Everything could be sold for something, but there would be less loss if we wanted money right away. Our intention is to keep the stocks.

MR. TILLEY: Q.—Have you in your mind that it is desirable for all insurance companies to have part of their assets so that they can be turned into cash, or is there any real need for that? A.—There is no need for it. In a progressive life insurance the



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income is more than sufficient to meet all liabilities. If they had a liquid asset they could realize upon they might make an investment where otherwise they might be prevented from making a favorable loan.

Q.—You are pretty well invested?  
A.—Yes.

Q.—You overdraw your bank account? A.—Yes, some months of the year we do. During the winter season when money is coming in frequently it is difficult to make inspections of farm property, so that if we did not overdraw we would carry over at the end of the year a considerable sum upon which we would get very little interest.

Q.—Where are your investments principally? A.—I have prepared a list of them.

MR. LANGMUIR: Q.—Do you mean the class of properties of the localities? A.—That is the localities.

MR. TILLEY: Q.—Town loans \$1,161,069. Have you something more recent than that? A.—I think this will serve my purpose.

Q.—Alberta Farm loans, \$284,378; Manitoba, \$258,391; Ontario Farm loans, \$428,000? A.—That is in the Rainy River District, one small loan.

Q.—You do not pretend to loan money in Ontario? A.—West of Lake Superior we do.

Q.—Saskatchewan, \$704,749, making \$2,409,015. Canada Permanent, \$60,000; Canada Landed, \$5,000; School and village debentures, \$131,541.87. Of those securities which yields the best return? A.—Farm and town securities yield pretty nearly the same average rate of interest.

Q.—Is it right to say that the further west you go in your investments the better return you get? A.—Yes, we may say in the more recently settled districts the average rate of interest is higher than in the older settlements.

Q.—And that would apply to Alberta and Saskatchewan? A.—Yes.

Q.—And would the town loans be out there too? A.—More largely in Manitoba, the town loans, because there are more towns and larger towns.

Q.—What is the highest rate of interest you get? A.—8 per cent. on the ordinary term of 5 years, but where it is only made for two or three years we would charge 8½ or 9 per cent., or where a loan is paid by monthly instalments we charge the

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higher rate on account of the extra notices and expense; we charge 9½.

Q.—Do you endeavor to incorporate with your loans any insurance?

A.—No, we keep them absolutely separate.

Q.—Have you a separate policy on that? A.—Yes. We do not loan through our insurance agents. We issue our loans through loan agents. We do not loan through our travelling representatives who are giving their whole time to insurance.

Q.—Have you incorporated the two together in any way? A.—Yes.

Q.—To what extent? A.—Probably \$10,000.

Q.—In one loan? A.—No, we have a policy that we tried to introduce, and this is our circular in connection with it, but it did not seem to be popular, and there is no particular advantage to us because we would not give a less rate of interest where they took insurance than where they did not.

Q.—You have considerable loans where you have collateral personal bonds? A.—On churches.

Q.—Skating rinks? A.—We never lend to any institution without getting a number of personal bonds; like for instance we have loaned to some of the Exhibition societies, and to several skating rink companies where the personal covenant was very good.

MR. LANGMUIR: Q.—Where there is no personal covenant in the institution? A.—Yes. Then we insisted on personal bond by a number of persons.

MR. TILLEY: Q.—Did you have losses in that kind of investment? A.—No.

Q.—Did you have loans on such property as is mentioned in New Westminster? A.—Yes.

Q.—Were those loans made as a part of any other arrangement? A.—Yes, we got insurance in connection with those.

Q.—Tell me the transaction? A.—They agreed to give us—

Q.—Who were they? A.—The Masonic Order of the Oddfellows.

Q.—On buildings and lands in New Westminster? A.—Yes.

Q.—Was it one property? A.—No, there were two separate properties.

Q.—But together? A.—They were situated one adjoining the other.

Q.—What was the transaction? A.—We loaned them a certain amount

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of money, and they agreed to give us a certain amount of insurance, and when it came to taking a mortgage it was decided by the solicitor that the only way to enforce the covenant would be to put in that higher rate of interest, and that if they furnished the insurance then that we could give them the reduction.

Q.—Did you get the insurance? A.—Yes.

Q.—That was a transaction you put through in the initiation of the company? A.—Yes.

Q.—And I suppose it was to get your company started? A.—Yes, it did influence me to a certain extent.

Q.—How much insurance did you get? A.—Between sixty and seventy thousand dollars.

Q.—Was any commission paid? A.—Yes.

Q.—You got the loan? A.—We got the loan direct to the company, but the agent looked after the application.

Q.—Did he make a valuation? A.—No, it was made by an entirely separate party.

Q.—Was there any loss on those loans? A.—No.

Q.—There was a difficulty in realizing? A.—Yes, there was a fire.

Q.—And the buildings were destroyed? A.—Yes, but we got out of it all right.

Q.—Was the insurance pledged to you against the loan? A.—Yes—the fire insurance you mean?

Q.—Yes? A.—Oh no.

Q.—It was just the insurance on the life of the members of the Order? A.—Yes. We decided to give up that kind of business.

Q.—You had a similar experience on church loans where there was an insurance on the lives of the members? A.—Yes, we had.

Q.—Did you ever consider whether the insurance in such a case as that could be collected where the church takes out an insurance on the lives of persons? A.—Whether it could be collected from us or not?

Q.—Yes. A.—That is a question. If the party placed it himself—

Q.—The whole thing would depend upon whether he insured himself and transferred it or whether the church insured him? A.—Yes.

Q.—And that would be a question as to what the legal transaction was between you? A.—Yes, we discouraged that business and now practically refuse to consider it. It is only

encouraged by the fact that other companies offer it.

Q.—Do you mean other companies in Canada? A.—Yes.

Q.—Offering insurance along with a loan? A.—Yes.

Q.—What is the result of acquiring insurance along with a loan in that way? Does it yield as good a rate of interest on the mortgage? A.—No, they have always got to make a reduction on the rate of interest to get insurance as well.

Q.—Or you might loan a little more on the property than you might otherwise loan? A.—That might be an inducement.

Q.—The mortgagor wants some advantage?

MR. LANGMUIR: Q.—Is it not always as collateral? A.—No, it is not always thought of in that way. It is to get the insurance.

MR. TILLEY: It might be a species of rebate to give him a little better terms on his mortgage? A.—It is the most objectionable rebate when it comes in competition with us.

Q.—Did the Directors and persons interested in your company come in and become insured when your company was organized? A.—Yes, a great many.

Q.—Were they given the agents commissions off? A.—No, they never got a cent off.

Q.—Paid the full premium? A.—Yes.

Q.—Without any allowance or deduction? A.—Without any allowance or deduction then or at any other time.

Q.—There is no rule that Directors shall get a third off? A.—No director ever got anything off.

Q.—Or officer? A.—No, I have placed insurance with the company and paid the full premium without anything off.

Q.—Do you take a with profit or without profit? A.—I take a with profit. If you will look over the list you will find a good reason for it.

Q.—I was just asking you the fact. Is that what you have taken? A.—Yes. I have taken a 20 year Tontine policy. I did take a term policy because I wanted a temporary insurance and did not want to increase my expenses. That was a participating policy, and I got 15 per cent. profits on it, the same as the other policy-holders at the end of the period.

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Q.—Do you keep your non-participating business separate so that you can tell whether it has been paying or not? A.—There has been so little of it it has hardly been worth considering yet.

Q.—How do you account for it being so little? Is it because of the commissions you pay your agents? A.—Well it cost the insured a good deal less, and it is to the insured's benefit to take the participating policy.

Q.—What distinction do you make between the rate of interest you pay your agents on the participating and non-participating policies? A.—We pay a smaller commission on the non-participating.

Q.—How much smaller? A.—About two-thirds.

Q.—You give him about two-thirds of the participating commission? A.—Yes, that is roughly. I have not gone into it.

MR. LANGMUIR: Q.—You have seen that there is a desire in some insurance companies to enlarge the scope of investments? A.—Yes.

Q.—Are you in favor of that, or have you all you want here? A.—As far as the Great West Life is concerned we have all we require, but I can understand that there might be some investments allowed to insurance companies that they have not now, and I think some they are now allowed to make might be cut out.

Q.—What? A.—Generally stocks. I am not strongly an advocate of a company being allowed to buy stocks.

Q.—Do you think it was wise to go into a foreign country with investments? A.—Not unless they are compelled to do so. I certainly would not favor allowing any investment in any foreign country. I think our Canadian premiums should be invested in Canada.

Q.—You are patriotic enough to believe that? A.—It is not only patriotism, but good business.

MR. TILLEY: You had applications for loans come into your company; at what season of the year? A.—Well, at every season of the year, but to the greatest extent during the summer.

Q.—You receive more applications for loans now than you do during the winter? A.—Yes, when buildings are going up, between the seeding and the harvest time we get a great many more applications than at any other time. There is one point you did not

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ask me about the business that Mr. Edwards suggested might be well to bring out, and that is that we inspect all our loans before the money is paid out. We have a special inspector who is paid by salary, and he inspects our loans.

Q.—In a certain district? A.—In every district.

Q.—One man? A.—Yes, he has heretofore. For the first seven years either I or one of the Directors did it all. Then we engaged an inspector and he did it all, and then we engaged a man in Alberta and he did it from Regina West, but our inspector here inspects to Regina.

MR. LANGMUIR: You have two millions of farm loans? A.—Yes.

Q.—And it is absolutely necessary to have an inspector? A.—Yes.

MR. TILLEY: You would have to get a great many loans along the one locality before you could send him out to inspect? A.—If we got them on a line of railway he could go of course, but we send him out as soon as we get two or three loans.

Q.—Is it the same man certifies to values in the city of Winnipeg as certifies in the Saskatchewan District? A.—Up to Regina.

Q.—And in Alberta? A.—In Alberta we have another man who lives in Medicine Hat.

(The Commission then adjourned to 9 a.m. Wednesday, July 25th.)

## FIFTY-NINTH DAY.

Winnipeg, Wed., July 25th, 1906.

Examination of JEFFREY HALL BROCK by MR. TILLEY, resumed:—

Q.—Have you the other policies I asked you to produce? A.—Mr. Jardine will be here in a few minutes. He is arranging them. I have brought this contract with Mr. Matson. This is the correspondence.

Q.—You hand us the contract with Mr. Matson, do you? That is the original contract with him? A.—Yes.

Q.—Dated 19th June, 1905, and attached to that is a circular which was sent out to all agents advising them of the change in the rate of commission on non-participating business? A.—Yes.



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Q.—And also as to the rate of commission on renewal premiums? A.—Yes, increasing the commission on first premiums and decreasing on renewals.

Q.—You also produce some correspondence that has passed between yourself and Mr. Halse? A.—Yes.

Q.—Who is your chief agent at British Columbia? A.—Our manager.

Q.—In which he sends to you a letter from Mr. Matson to him of 19th July, 1905? A.—Two letters, one is the 18th and the other is the 19th.

Q.—Two letters from Mr. Matson, one 18th and the other 19th July, his letter being dated 20th July, 1905? A.—Yes.

Q.—Following the letter from Mr. Halse is your reply of 10th July, 1905, included there is also Mr. Halse's letter to you of June 28th, including Mr. Matson's contract? A.—And his report.

Q.—And his report on Mr. Matson? A.—Yes.

Q.—That correspondence and contract will be exhibit 397. I will read some of these, giving the parts that I think are at all material. The first letter forwards you the original contract, and it mentions in it that the contract is an exceptional one, but that it has received Mr. Brock's approval. That is the letter written to the company? A.—Yes.

Q.—Is that your rule that every contract must be approved by you whether it is with your head agent or sub-agent? A.—It must be approved by me if there is any advance, or any variations from the regular terms. All other contracts must be approved by the Secretary.

Q.—Under this contract of June 19th, 1905, Matson was appointed manager for Vancouver? A.—Yes, that was his title.

Q.—What was special about this contract that caused Mr. Halse to say it was an exceptional one? A.—An agreement to give him a commission of 10 per cent. on the premiums on business in excess of the \$150,000, was the arrangement made at that time.

Q.—That is, there is a clause written in your printed form, "The Company agrees to allow the sum of \$33.33 a month on account of office expenses." That is not exceptional? A.—No, we have been paying that for a long time in Victoria.

Q.—Where is the clause that you refer to about the 10 per cent.? A.—It is not in there. It was a letter.

If I might be allowed to explain, Mr. Matson subsequently was approached by other companies, and decided that he would not go on with that contract unless we improved the terms. That contract had been sent down to Winnipeg. I was out there, and after a long discussion an agreement was arrived at that we were to allow him in addition for the reasons I suggested yesterday, and for other reasons that he advanced, we were to allow 10 per cent. on commissions in excess of \$150,000. Now then this correspondence shows that Matson misunderstood—

Q.—You are getting away from the point I want to ask you about, and doing that we do not make any progress. Mr. Halse in sending the original contract to you on the 20th June says, "This contract, as of course you will note, is an exceptional one?" A.—Yes.

Q.—I want to know what in this contract was exceptional that he referred to? A.—He refers to that letter that I had sent.

Q.—Had the letter been given before June 28th? A.—Yes.

Q.—Where is that? A.—That letter was taken up, and this amended one was written.

Q.—What do you mean by, "taken up?" A.—The memorandum he refers to. These letters give better terms than are in that.

Q.—I do not quite follow that? A.—In the contract there was a letter stating that we would allow him 10 per cent. commission. He refers to it and mentions it in the correspondence you have there, and that letter was taken out when this new arrangement that was consented to by my letter—

Q.—What does this mean—"On renewals, less any deduction allowed on account of profits earned?" A.—We deduct the profits from the premiums, and allow a commission on the balance.

Q.—Then you say that Mr. Halse must have been referring to something outside of this contract that we have here? A.—A letter that was written subsequently, and that accompanied it at that time.

Q.—And under that letter you promise to pay him a certain per cent. on business over a certain amount? A.—On business over \$150,000 per annum.

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Q.—Is that a usual provision in your contract? A.—No, it is exceptional.

Q.—To what extent is it exceptional? It might be exceptional where Mr. Halse was the manager, but is it exceptional throughout Canada? A.—Yes, exceptional anywhere. We have no other contract that gives that in Canada.

Q.—Have you had other contracts that give that? A.—We have had no other contract in Canada since the established branch offices. Prior to having branch offices in the maritime provinces years ago we had such a contract.

Q.—What was it? A.—It was almost identical with this; 10 per cent. extra commission to cover the expenses of inspection and travelling, and all that sort of thing, instead of allowing travelling expenses.

Q.—A 10 per cent. commission in addition depended upon getting a certain amount of business? A.—Usually accompanied with a requirement that a certain amount of business must be done.

Q.—It is not a requirement. It is conditional? A.—It is conditional, yes.

Q.—If the agent writes \$140,000 of business, and the limit is \$150,000, he does not get his 10 per cent.? A.—No.

Q.—If he writes \$151,000 of business he gets 10 per cent. on the whole business written, and not on the \$1,000 only? A.—That was our agreement, on the excess, and he contends in this correspondence that he misunderstood this agreement, and makes it apply as you stated.

Q.—What about the Maritime Province contract? A.—It was as this is now; 10 per cent. in addition on all the business written.

Q.—Provided it was over the limit? A.—Yes.

Q.—Do you say the Maritime contract and this contract with Matson are the only two contracts that this applies to? A.—There are no other contracts in force now.

Q.—Or that have been in force? A.—I am not positively certain. We may have had.

Q.—What have you in mind now? A.—It is a long time ago. It is what we call a provincial arrangement. At the start we did not have branch offices everywhere.

Q.—Was such a contract as that ever made where there was no branch

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office? A.—Only where there was no branch office.

Q.—Would it be for a province? A.—Practically, or a very large district.

Q.—Would it be for a town? A.—Oh, no.

Q.—For a city? A.—We had no such arrangement in the city.

Q.—No such arrangement in Toronto? A.—No. We have our office there.

MR. TILLEY: Have you the contract with the Toronto agents that I spoke to you about last night, Mr. Jardine?

MR. JARDINE: They are searching for it. It is on file in a suit in Toronto, but we are searching to see if we have a copy of it here.

MR. TILLEY: What was the name of that agent?

MR. JARDINE: Owens.

MR. TILLEY: Q.—Did you not have such a contract with Owens, Mr. Brock? A.—No.

Q.—Did Owens not get an additional 10 per cent. on the amount of business he wrote? A.—On the lower basis of business and not as this is.

Q.—But was it not something extra for a certain amount of business? A.—Yes, we make that quite common.

Q.—That is common practice? A.—Yes.

Q.—That is to bring the agent up to \$150,000, or whatever you think the territory will stand? A.—Yes, so that he will attend to our business.

Q.—If you gave him straight commission, perhaps that would accomplish the object? A.—No, he might engage in the fire business.

Q.—Is that looked upon by the insurance managers as a judicious sort of contract to bring into force? A.—I cannot speak for all managers, but in my experience for 14 years it has proved to be absolutely essential. Our agents will not give the time to the business. It is very hard and strenuous work, canvassing for life insurance.

Q.—Is that one of the things that brings this pressure to bear in forcing up the amount of business? A.—Unquestionably. There is very strong pressure brought to bear for life insurance, or a very small number of the community would be insured.

Q.—And that feature is partly accountable for the amount of policies that are lapsing? A.—Unques-

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tionably. If the people were simply allowed to come in with the money in their hand and apply for insurance there would be less lapsing.

Q.—I am taking the difference between the man who gets his 75 per cent. commission, and the man who gets an additional 10 if he will crowd it up to a higher mark? A.—There may be something in that.

Q.—Will you not go further than that? A.—I think probably there is something in that.

Q.—Won't you go further? A.—No, no man can know positively.

Q.—That is a species of bonusing agents? A.—Yes.

Q.—And a substantial bonus? A.—Yes.

Q.—Have you got this morning a memo. regarding bonuses? A.—You referred to hot weather competition, and that special effort. That is an entirely different thing. I gave you the particulars.

MR. JARDINE: This is the one at present in force.

WITNESS: That is the result of our 14 years' experience, and it shows what we consider to be the most helpful effort on the company's part.

Q.—Exhibit 398. This is a circular to agents regarding a bonus for hot weather business? A.—Yes.

MR. JARDINE: May I explain? There are a series of three circulars. That is one of them. I will bring the other two over. They are all the same except the amount is different.

MR. TILLEY: Q.—This states, "Our Managing Director, Mr. Brock, has made all agents a special allowance during hot weather." (Reads letter.) Does that state the extent to which your company has been doing anything in the way of bonus or extra allowance to agents? A.—Yes, for any extra spurts, that is the only kind we have used, and Mr. Jardine will give you circulars that will explain that that bonus does not apply to any agents who are getting their highest commissions who are giving the whole of their time to the business.

Q.—It is to persons who are giving part of their time? A.—Yes. The idea is that we will during that period give them as it were a promotion into the higher class temporarily when they give extra time to our work, and they get the promotion into the higher class, but in no event does it raise the commission above what

we are paying to our canvassers who are canvassing all the time.

Q.—The first letter from Matson reads as follows. (Reads letter.) You did not let a man like that go on account of any little disagreement? A.—You have the whole correspondence there.

Q.—The second letter from him is, "Yours regarding the extra 10 per cent. received this evening." (Reads.) Upon reading Mr. Matson's two letters it seems to be indicated very strongly that the letter was signed at the same time as the written contract? A.—No, it was a few days afterwards.

Q.—Do you say that Mr. Matson put his signature to the written contract without having this letter? A.—Oh, yes.

Q.—How did he come to do it? A.—Because he had not been able to meet these other offers by other companies at the time, and we were away when they were made. We left Victoria and went to Seattle to see another agent on business, and when we came back he had been interviewed by other agents, and he found he could do a great deal better than we had offered him.

Q.—Was the letter returned to Matson? A.—I do not know what has become of it.

Q.—You do not know what has become of it or where it is? A.—No. This was substituted for it, because it is a much more favourable agreement.

Q.—One can hardly understand why it is not in the group? A.—If you will read Mr. Matson's letter and mine that will explain it.

Q.—We will read Halse's letter of the 20th of July first. (Reads letter.) Then you replied on July 24th. (Reads letter.) Where is the arrangement yet about the 10 per cent. on National Life policies on which he was to lose a commission? A.—Well, that is to cover the whole thing.

Q.—Was that the intention of this? A.—Oh, yes; certainly. That was one of the arguments that he used, and you see the expression used, that he writes there about the very large loss he sustained by dropping out. He impressed that upon me in many ways.

Q.—Is that all the correspondence you have in regard to Matson's contract? A.—Everything we have in regard to Matson's contract.



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Q.—Have you anything to show the arrangement made with Matson's sub-agents? A.—No.

Q.—Persons under him? A.—No, we have not.

MR. TILLEY: Is there anything in your office, Mr. Jardine?

MR. JARDINE: There are some contracts signed by the company.

MR. TILLEY: What is it?

MR. JARDINE: Just the regular contracts signed by the company.

MR. TILLEY: With his sub-agents?

MR. JARDINE: Yes.

MR. TILLEY: Who were they? What were their names?

MR. JARDINE: One man was A. G. Howard Potts, and another man named Curry.

Q.—Did those contracts set out the arrangement with those agents?

MR. JARDINE: Yes.

MR. TILLEY: Will you send those, please?

MR. JARDINE: Yes.

WITNESS: You asked me about contract with Matson, but of course these are contracts with the company, but they are working with him.

MR. TILLEY: Q.—I asked you if you had anything showing his contract with the sub-agents? A.—Those are contracts with the company, not with him.

Q.—If you would always err on the side of telling us anything you have, instead of construing it— A.—I am afraid I might keep talking all the time.

Q.—It would probably shorten matters. A.—Several times you have told me if I would wait until you asked a question that would shorten matters.

Q.—Yes. A.—I wish to shorten it in every way.

MR. TILLEY: If there is anything else with Mr. Matson, I would like to have it.

MR. JARDINE: I know of nothing else.

Q.—Have you any statement that shows the amount of your taken and lapsed policies from year to year? A.—This is a summary of it. Mr. Jardine can explain that better than I can.

MR. TILLEY: Have you any summary showing the not taken policies?

MR. JARDINE: No, sir; just the lapsed policies. We can make it up for you.

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MR. TILLEY: You show in the blue book of course regularly the not taken policies in each year?

MR. JARDINE: Yes.

MR. TILLEY: What is covered by not taken policies, Mr. Brock? A.—A not taken policy means one that is not paid for.

Q.—That no payment at all is made for? A.—That a note or some settlement is given for, but that it is not paid. They are not paid up to the date when they are required to make the report.

Q.—If anything at all is paid does it cease to be a not taken policy?

MR. JARDINE: If the assured supplies the health certificate he can be reinstated.

MR. TILLEY: I am trying to get at the distinction between the not taken and lapsed. Is a not taken policy one on which nothing is paid?

MR. JARDINE: On which the first premium is not paid.

MR. LANGMUIR: Q.—Is the policy written? A.—Yes.

Q.—And delivered? A.—Sometimes the party won't take it. It is delivered to the agent.

MR. TILLEY: Q.—You make out the policy and send it to the agent? A.—Yes.

Q.—It gets that far before you treat it as a policy? A.—Yes.

Q.—Then the agent may or may not hand it over to the insured?

MR. JARDINE: Yes.

MR. TILLEY: If he gets a note he will probably give the policy?

MR. JARDINE: Yes.

MR. TILLEY: And at the end of a certain time when the note falls due, if it is not paid, it is treated as a not-taken or lapsed policy?

MR. JARDINE: A not-taken policy.

MR. TILLEY: In the meanwhile, while that note is current, the company is liable on that policy?

MR. JARDINE: Yes.

MR. TILLEY: Do you think it should be called a not-taken policy, a policy on which the company never was liable?

MR. JARDINE: That is the way it is put.

MR. TILLEY: Some of these not-taken policies are policies under which the company has been liable?

MR. JARDINE: Yes.

MR. TILLEY: Supposing a portion of the first premium was paid, not the

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whole of it, but a certain portion of it, would you then class it as a not-taken policy?

MR. JARDINE: Yes.

MR. TILLEY: You treat it as a not-taken policy?

MR. JARDINE: Where it is an annual premium.

MR. TILLEY: He has to pay the first premium in full.

MR. JARDINE: Yes. We interpret it pretty strictly, and that is the way we treat it.

Q.—In your last annual return the amount of your not taken policies was \$1,089,500?

MR. JARDINE: Yes.

MR. TILLEY: Your new policies issued were only \$6,220,833; that is 20 per cent. of your new business was not taken?

MR. JARDINE: Yes.

MR. TILLEY: How is it that there is such a large percentage as that?

MR. JARDINE: Well, the parties changed their mind, and in this western country there is considerable movement around.

Q.—What do those policies cost you?

MR. JARDINE: What does each policy cost?

MR. TILLEY: What do those policies cost you?

WITNESS: There is the medical examination and the expenses connected with the issue of the policy.

MR. JARDINE: About \$10 each.

MR. TILLEY: Not more than that?

MR. JARDINE: No.

MR. TILLEY: How is that \$10 made up?

MR. JARDINE: The medical fees.

MR. TILLEY: Amounting to what?

MR. JARDINE: From \$3 to \$5. Then the office expenses, cost of issuing the policy.

MR. TILLEY: Anything to the agent?

MR. JARDINE: He does not get anything.

MR. TILLEY: That would run to a great deal of money, the \$10 for each policy.

MR. JARDINE: Yes.

MR. TILLEY: How many policies would that involve, could you say, \$1,089,500?

MR. JARDINE: The policies average about \$1,400.

MR. TILLEY: Between 700 and 800 policies?

MR. JARDINE: Yes.

MR. TILLEY: Between \$7,000 and

\$8,000 borne by the other policyholders?

MR. JARDINE: No, you are mistaken.

MR. TILLEY: I mean to say that comes out of the general funds of the company.

MR. JARDINE: No. The most of those policies are covered by notes, and sometimes we collect those notes. Last year we collected \$7,200 on account of not taken policies—between July, 1905 and July, 1906.

MR. TILLEY: In a year you collected that?

MR. JARDINE: Yes.

MR. TILLEY: Was that a new principle you were adopting?

MR. JARDINE: No, we have always done that.

MR. TILLEY: If you got a note for the first premium and it was not paid at maturity, the policy would be a not-taken policy?

MR. JARDINE: Yes.

MR. TILLEY: And then you would go on and force the man to pay the note?

MR. JARDINE: Insist on payment of the note.

MR. TILLEY: What effect would that have on the policy?

MR. JARDINE: He has the right to reinstate his policy if he desires to do so.

MR. TILLEY: Do you insist on the payment of the note immediately it is due? A.—If we can get payment.

MR. TILLEY: And before the next premium matures?

MR. JARDINE: We insist on the payment of the note when it is due and proceed to collect it.

MR. TILLEY: And you would probably have that collected before the next premium comes due? A.—In many cases.

MR. TILLEY: Then that could not be a not-taken policy.

MR. LANGMUIR: Would it go out of the class of not-taken into lapsed policies?

MR. JARDINE: It has been reported as a not-taken policy.

MR. TILLEY: Having collected that note, then you have already in your report treated that policy possibly as a not-taken policy. How do you get that policy out of the not-taken class into the current policies of the company?

MR. JARDINE: If he reinstates his policy—

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MR. TILLEY: If he pays that note before the end of the year and before the next premium becomes due, is he not square on your books?

WITNESS: No, his policy is lapsed.

MR. TILLEY: Q.—Is that a lapsed policy or a not-taken policy? A.—That is a question of treatment. If the premium is not paid we put it in as not taken.

MR. KENT: When the policy is taken you could not treat it as a not-taken policy. A policy that is taken cannot be treated as not taken.

MR. JARDINE: What would you treat it as?

MR. KENT: If a man has received his policy, and has not paid the premium it should be treated as lapsed.

JUDGE MAC TAVISH: You are carrying the risk.

WITNESS: The idea we had is that while the note was current that if the premium is not paid at all we cannot treat it as a lapsed policy because we have no money in it, and during the period it is in suspense it might be considered in either way, but when the premium is finally not paid, then if our report has to be made out at that time, we return it as a not-taken policy. I recognize the distinction, and we have been in a good deal of doubt, and we have had discussion with Mr. Blackadar, and we have considered the advisability of changing that.

MR. JARDINE: It is the only heading we can put it under.

JUDGE MAC TAVISH: Should death occur during the currency of the note you would have no defence to the claim.

WITNESS: No. But the point we take is that a lapsed policy is one on which a premium has been paid. If it was only a quarterly premium it would be put under that list. There is a difference of opinion among the company.

MR. TILLEY: You say that in such a case if the note is subsequently paid the insured must apply for reinstatement?

MR. JARDINE: Yes.

MR. TILLEY: Why must he apply? When he ceases to be insured?

MR. JARDINE: When the note became due and was not paid.

MR. TILLEY: Then you treat the policy as at an end?

MR. JARDINE: Yes.

MR. TILLEY: And you force him to pay the promissory note?

MR. JARDINE: Yes.

MR. TILLEY: What must he do to get reinstatement?

MR. JARDINE: Simply to satisfy the company he is in the same health as when he applied for the policy. A man might be on his deathbed, and then he would send in the premium.

MR. TILLEY: If he paid the premium in cash instead of giving a note it would have been good for a year?

MR. JARDINE: Yes.

MR. TILLEY: And you take the note from him and force him to pay it. Why should that not put him in as good a position? If you want to force him to pay why should you not take the risk, whether he is on his deathbed or not? A.—Because that is a matter of contract. That is a matter of agreement.

Q.—We want to ascertain the reasonableness of those contracts? A.—We consider it is reasonable enough. We have been put to considerable expense.

Q.—If you are willing to take the money at a later date and he is willing to pay it why should he not be in as good a position then? A.—For a very good reason which you put a moment ago, that our dealings with him would cost the other policyholders money.

Q.—In what way? A.—You asked if the amount was paid at the expense of the other policyholders, and Mr. Jardine has been explaining the matter. When you calculated that \$7,000 was the cost of the not-taken business you said, "This has to be paid by the other policyholders."

Q.—Because that man gave a note and did not pay it when it was due, you treat him as a proper subject, to get enough out of him to pay for the people who have not paid their premiums? A.—All of them together.

Q.—Why should he not be dealt with on his merits if he gave a note, and afterwards is willing to pay the money when you are willing to take it? Why should he not be in as good a position as if he gave you cash? A.—He may be a man we cannot collect money from. You see it may be a man whom we may not be able to collect from by legal process, and consequently he cannot claim to be placed in the same position as if he had paid cash.

MR. TILLEY: Is there any difference, Mr. Jardine, from an advertising point of view, whether the policy



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is put in the not-taken class or the lapsed class?

MR. JARDINE: I think the larger volume is in the not-taken class.

MR. TILLEY: Rather than a larger volume of lapses?

MR. JARDINE: Yes.

MR. TILLEY: In 1906, which would you think was the better way to put those in from the company's standpoint—to treat them as not taken, or lapsed?

MR. JARDINE: As lapsed. We have always advertised that we have held a certain percentage of our business; so that if the not-taken were put into the lapsed we would say we held a larger business. We have always felt that a large showing of not-taken policies was not a good advertisement to us.

MR. TILLEY: Q.—It is not a good advertisement to have a large amount of lapses either? A.—No, sir.

Q.—Is that not worse advertising than to treat them as not taken? A.—No.

Q.—In the one case a man changes his mind and does not take the policy, and in the other case he takes it and drops it and loses his money.

MR. JARDINE: But in that case he may have paid two or three or four premiums. That would be much more advantageous to the policyholders than if he had paid nothing.

MR. TILLEY: You are treating it now from the standpoint of the other policyholders who say, "we have made something out of that man in the case of a lapsed policy, and in the case of the not-taken they treat it as a total loss?"

MR. JARDINE: Yes.

MR. TILLEY: in the same year you had lapsed policies amounting to \$1,182,800?

MR. JARDINE: Yes.

MR. TILLEY: You say that you collected somewhere about \$7,000 in the year July to July, 1905 to 1906?

MR. JARDINE: Yes.

MR. TILLEY: Does that include payments on account of premiums that the applicants for insurance had made themselves?

MR. JARDINE: Previous to the lapse?

MR. TILLEY: Yes?

MR. JARDINE: Oh, no.

MR. TILLEY: How much would you receive by a party paying part of the premium but not completing it? Would it amount to \$2,000 or \$3,000 more?

MR. JARDINE: I could not tell you. I never made an estimate of that.

MR. TILLEY: How did you treat the proceeds of these promissory notes? You must have a lot of those in your hands at the end of the year, over the 31st December.

MR. JARDINE: Yes.

MR. TILLEY: Do you show them as bills receivable, or unpaid premium?

MR. JARDINE: We do not show them at all.

MR. TILLEY: As an asset?

MR. JARDINE: We do not show them at all.

MR. TILLEY: Why not?

MR. JARDINE: We cannot place any value on them because they have not been paid when due, and we do not know when they will be paid. As soon as they are paid they are entered as a premium.

MR. TILLEY: That is the first year premium?

MR. JARDINE: Yes.

MR. TILLEY: They may be moneys received by the company at a time when the policy is not in force at all?

MR. JARDINE: Yes.

MR. TILLEY: It is not a premium. It is the payment of a note. It ceases to be a premium.

MR. JARDINE: We prefer to apply it in reduction of our expenses, but we are not allowed to do that.

MR. TILLEY: You mean just to set it off against expenses?

MR. JARDINE: Yes.

MR. TILLEY: Have you ever done that?

MR. JARDINE: No.

MR. TILLEY: Never treated it in that way at all?

MR. JARDINE: No.

MR. TILLEY: Always carried it in as the first year's premium?

MR. JARDINE: Yes.

MR. TILLEY: Is that percentage of not-taken policies not high as compared with other companies? I am not asking you to compare it with any particular company.

MR. JARDINE: It depends on what they treat as not-taken policies. I do not know. If they follow our practice of reporting every policy that is not paid at the time the payment is promised, I think our percentage would be about the same as theirs.

MR. TILLEY: If the other company treats it in a different way

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from you, that means it treats it as a lapsed, instead of a not-taken?

MR. JARDINE: I do not know, but I have had the impression that some companies do not report the policies at all after they are written until they are paid.

MR. TILLEY: That is if you write the policy and send it to the agent, and the insured does not take it at all, you treat it as a policy?

MR. JARDINE: Yes.

MR. TILLEY: Take that \$1,182,800—is that not a large amount of lapses?

MR. JARDINE: No.

MR. LANGMUIR: Is that for 1905?

MR. TILLEY: Yes.

MR. JARDINE: It is much larger than we would like to have it.

MR. TILLEY: On the two items you had between \$2,200,000, and \$2,300,000 of lapsed, and not-taken policies out of six million—

MR. JARDINE: Oh, no.

MR. TILLEY: In a year when you increase your business by that much?

MR. JARDINE: Yes, the lapses would be previous years.

MR. TILLEY: And the not-taken would be 1905.

MR. JARDINE: Yes. Some might be 1904, when the note ran over the 31st December, and the note became due in 1905.

MR. LANGMUIR: Don't you look upon that large number of not-taken policies as the result of abnormal forcing of agents?

WITNESS: It may have something to do with it, but a man agrees to take a policy and then changes his mind.

MR. LANGMUIR: The lapsing may be legitimate lapsing. But the not-taken policies seem to me to be largely a case of the result of over-forcing? A.—Yes.

MR. TILLEY: Q.—When the agent gives a policy and takes a note for the premium, does he keep the note or send it to you? A.—Yes.

Q.—You treat it as a policy issued at once? A.—Yes.

Q.—You take that into account in deciding whether the agent has written \$150,000 or \$200,000? A.—Not as paid for business.

Q.—I am taking a contract where you give an agent— A.—We always take it as paid for business.

Q.—You do not take that as paid for business? A.—No.

Q.—That class of business is not taken into account where the agent is getting a bonus for writing a certain amount of business? A.—No.

Q.—When you collect the note later by enforcing the payment, although the policy is treated as a not-taken policy, or out of existence, do you pay the agent? A.—Yes. Each contract states that he is to get the commission less the cost of collection.

MR. JARDINE: I have here the report that came in one day in reference to one day's lapses.

WITNESS: Just one day's lapses.

MR. KENT: When a man gives a note at six months and dies before the note becomes due, what then? A.—His policy is in force and is paid.

Q.—You pay the claim less the amount of the note? A.—Yes, we deduct the note. Our policy is very clear on that.

MR. TILLEY: Have you the form of policy that the old Dominion Safety Company issued?

MR. JARDINE: Here it is.

MR. TILLEY: You produce the form of policy that was issued by the Dominion Safety Fund Life Association, whose business was taken over by your company?

MR. JARDINE: Yes.

MR. TILLEY: No. 5219, Exhibit 399.

MR. JARDINE: There are two forms.

MR. TILLEY: They may be attached and marked as Exhibit 399. Do those forms show all the terms and conditions that the Dominion Safety Fund imposed?

MR. JARDINE: Yes.

MR. TILLEY: Have you any pamphlet that shows the plan of insurance of the Dominion Safety Fund?

MR. JARDINE: Here is a rate book that gives it. Mr. Brock picked that up in their office and brought it up.

WITNESS: I brought it up as a matter of curiosity.

MR. TILLEY: Q.—This contract indicates there the principle of carrying on business as well or better than you can describe it? A.—I assume so. I know nothing of it.

(Rate book Exhibit 400.)

Q.—That is the book issued by the Dominion Association showing its plan of insurance? A.—Yes.

Q.—What different sources of revenue had the Dominion Association?

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A.—I have no knowledge of what sources of revenue they had except such as we picked up from literature of theirs.

Q.—You were taking over their policies were you not? A.—No, we were not taking over their policies. We were taking over their policyholders.

Q.—Were you not re-insuring them? A.—Yes, we re-insured their policyholders.

Q.—What does it mean to re-insure a policy? A.—We made an agreement with them which is expressed very clearly in the agreement that we agreed to issue certain policies to those who would accept them, and our policy gives the condition upon which—

MR. TILLEY: Just let us put in that agreement—

MR. LANGMUIR: Q.—Where was the head office of this company? A.—St. John, New Brunswick.

MR. TILLEY: Q.—It is an agreement dated 12th July, 1894? A.—May I ask, Mr. Tilley, is this information being asked for in the interests of any litigation in connection with the Dominion Safety Fund, or anybody else, or is it asked for for the purpose of this investigation?

Q.—I do not know that anything has been said that would indicate any reason why you should make such a suggestion. I did not know that there was any other litigation. I assumed on going through the papers that there might be. A.—I did not know but what it might be necessary for me to consult our solicitor in that case.

Q.—If you care to consult your solicitor, very well. A.—If you say there is nothing else in it, as I understand it we have no desire to consult our solicitor.

Q.—This agreement is dated 12th July, 1894, between your company and the Dominion Safety Fund Life Association? A.—Yes.

Q.—Was that agreement negotiated by you? A.—The first part of the negotiations were made by me, and the final agreement was concluded by the President, Mr. Riley, the Chairman of the Executive Committee and myself and our solicitor.

Q.—This will be Exhibit 401. Then that agreement, without reading it all through for the present, was supplemented by another agreement of the 31st December, 1894? A.—Yes. (Exhibit 402.)

Q.—Then is it right to say that on the institution of that agreement of 12th July, 1894, that your company assumed the control of the arrangement whereby the old policyholders of the Dominion Safety Fund were transferred to your company? A.—We agreed to accept them if they made applications to us.

Q.—Who assumed the control of the proceedings then to get them into your company? Was that done with you? A.—No, that was done by the Dominion Safety Fund, and you had a circular there that was issued by them.

Q.—Was that circular planned and arranged with you, or was that got up entirely without your concurrence? A.—I do not think I ever saw it or heard of it until after it was issued and I got a copy.

Q.—Did Mr. Spur when that agreement was signed act in any capacity for the Great West Life? A.—No.

Q.—Was he paid for services subsequently? A.—He was paid subsequently for services rendered.

Q.—In connection with what? A.—With the Great West Life.

Q.—Of what nature were the services? A.—Of an advisory nature. I forget what we called him. I can look up the correspondence.

MR. JARDINE: They are looking it up.

MR. TILLEY: You have not it here?

MR. JARDINE: We have just moved our office, and we have three or four men looking it up now.

WITNESS: It is twelve years old, and we are not quite as familiar with it as we might be.

MR. TILLEY: Q.—The document itself was executed twelve years ago, but you still have it on your books? A.—Yes.

Q.—And it is still a current matter? A.—Yes.

Q.—At the time the agreement was entered into there were 1,101 policies in the old Dominion Safety Association? A.—Yes.

Q.—Covering \$1,320,000 of insurance? A.—Yes.

Q.—Can you tell me how many policyholders there are now left of those? A.—About 250. I can give you the exact number if you will wait. Perhaps 300. This is just from memory.

Q.—Between 250 and 300? A.—Yes.



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Q.—How much insurance in amount? A.—A few of them have only \$1,000, but they are almost all \$1,000 policies.

MR. JARDINE: We can get the exact figures.

MR. TILLEY: But you would say roughly what?

MR. JARDINE: Between \$300,000 and \$400,000 of insurance.

MR. TILLEY: Still on your books?

MR. JARDINE: Yes.

MR. TILLEY: Are the receipts and things in connection with that class of policies kept entirely separate from your other business?

MR. JARDINE: Yes.

MR. TILLEY: There is no mixing of the funds at all?

MR. JARDINE: No.

MR. TILLEY: Death losses in that branch are charged up to that branch, and no expense of your business is charged other than the taking from it of the amount allowed for expenses and the premiums.

MR. JARDINE: That is all.

MR. TILLEY: Q.—You cannot tell for what period of time Mr. Spur, the ex-President of the Dominion Safety Fund, was remunerated by you? A.—A very short time I think. The correspondence will show.

Q.—Did it commence as soon as this document of the 12th July was signed? A.—We got him to act, if I remember rightly, on our local Board, with other parties.

Q.—At what time? A.—As soon as we organized the local Board there.

Q.—When did you organize the local Board? A.—Immediately after we made these arrangements.

Q.—Would you say that on the 12th July he became Chairman of your local Board? A.—Oh, no; it was subsequent to that.

Q.—How long subsequent? A.—Oh, probably a month or two, I do not remember exactly now, I think perhaps we can look it up and find it out.

MR. TILLEY: Have you the correspondence here yet, Mr. Jardine?

MR. JARDINE: Yes sir, here are some letters.

MR. TILLEY: Q.—What was the amount you paid Mr. Spur? A.—My recollection is it was \$500. It is referred to I think in the correspondence.

Q.—Did you pay him anything in connection with services for carrying through his arrangement? A.—Oh, nothing at all.

Q.—He demanded it? A.—Certainly we did not recognize anything of the kind only just so far as any work might devolve upon the Great West Life in connection with that agreement.

Q.—What work would devolve on the Great West Life under that agreement? A.—Well we had to issue policies and acknowledge payments.

Q.—And that was done from where? A.—The policies were written here and sent down to St. John and issued from there.

Q.—By whom? A.—At the start by Mr. Spur, or Mr. Campbell I think, and we made a temporary arrangement with Mr. Campbell, who had been Secretary of that institution, but that answered for a very short time, and we were not satisfied with the arrangement, and we took down Mr. Robert Young, who is at present in the audience here, and I have no doubt that he could probably give more definite information about this than I could, as he took over the business for the Great West Life.

Q.—At what time, July? A.—I do not remember the month. It was some months after that.

JUDGE MAC TAVISH: Some months after the agreement was made? A.—Yes, it took some time to get the parties to make an application, and to agree to accept our policies.

MR. TILLEY: Q.—Who was attending to that—to get the parties to accept your policies? A.—They had to do that. They corresponded with them. We submitted our policies. We prepared the policies in accordance with the agreement, and upon payment to us of the premium we were prepared to hand over the policy.

Q.—Is that all you had to do in connection with the matter? You were not to get the parties to take your policies, or you were not concerned with that? A.—I believe the agreement distinctly states that we were to assist in getting them to take our policies.

Q.—I would like to know what you say about it? A.—I have forgotten.

Q.—What was the understanding? A.—It is expressed in the agreement.

Q.—If you will tell us what you understood to be the understanding of your company— A.—I could not do it without reading the agreement over.

Q.—Were you represented on the ground by Mr. Young? A.—Yes. He

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was subsequently our manager for the Maritime provinces, in charge of our business.

Q.—Did he join in issuing the circulars to the policyholders in the old Dominion Safety? A.—Any circular that was sent would be prepared by the Dominion Safety Fund and the Great West Life.

Q.—Combined? A.—Yes, it may have been combined—no, the first circular seems to intimate that it was issued by Mr. Spur in the first instance to find out if they had agreed to this bargain. I have not read it over.

Q.—Here is a circular on the same date as the date of the agreement? A.—Yes.

Q.—Was that document not prepared at the time of the agreement? A.—I do not think so. (Circular exhibit 403.)

Q.—This is dated July 12th, 1894, addressed to the policyholders of the Dominion Safety Fund Life Association. (Reads circular.) That was an intimation to the policyholders that they would be insured by you on as favorable terms to them, under similar conditions as existed between the Dominion Safety Company and them at that time? A.—Apparently, yes.

Q.—“The proposal which your Directors present is that of re-insurance.” Is that what you regarded it, as re-insurance? A.—Yes, I suppose that would be the correct term. You will observe the agreement distinctly excepts one part of their contract.

Q.—I am trying to see whether the policyholders down there knew whether anything was excepted from their policy? A.—My recollection is that Mr. Spur or the Dominion Safety Fund, communicated with the shareholders in respect of that.

Q.—I am reading what you have given me. A.—I am not giving you the papers of the Dominion Safety Fund—

Q.—On July 12th, 1894, one must feel that you must have some check on circulars that would be issued, because you would be a party to the transaction? A.—No, we have nothing whatsoever and we expressly in words except any connection with that portion of their business.

Q.—What portion? A.—The Safety Fund.

Q.—That is all very well, but I want to know whether you now want to alter what you said a few minutes ago about circulars being issued, although

probably not jointly, by the two still, with the concurrence of both parties? A.—Well, we issued circulars signed by the company.

Q.—By your own company? A.—Yes.

Q.—Will you show me them? A.—We have not been able to find any.

Q.—You produce to me four circulars. The first one commences with the date of the agreement, July 12th, 1904. Another February 1st, 1904, and another of the same date, and another document of the first date? A.—Yes, those are the documents I found.

Q.—Those enclose the forms of application to be signed by the policyholders? A.—We have looked through our scrapbook and elsewhere for any circulars we issued at that time.

Q.—Let me ask you this; did your company not take part in settling the form of application to be made by the policyholders in the old company for insurance in your company? Do you mean to say you left that all to the other company to be carried on by them? A.—I think that probably was left to us.

Q.—Cannot you go further than that? A.—I cannot remember, but I think likely.

Q.—Were you not down there yourself? A.—I started the negotiation myself, and brought them up to a certain point.

Q.—But you never dropped out? A.—No.

Q.—You were in it from start to finish? A.—Yes.

Q.—Was the agreement signed down in St. John? A.—That is my recollection, but I think you had better look at it.

Q.—It was confirmed by a resolution of the Directors down there? A.—It was attended to by our solicitor, Mr. Culver, and he is dead now.

Q.—It is signed by Macdonald, President, and Jardine, Secretary? A.—That must have been signed up here, because Mr. Jardine was not down there, and the seals attached to that must have been done in Winnipeg.

Q.—Your seal does not seem to be on it? A.—Yes, it is our seal. I can see it from here.

Q.—I thought it was the other company's seal? A.—No, it does not look like it when I see it closely. It may be the one they got which has our seal on.

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Q.—You would have a completed copy of theirs and they would have a completed copy of yours? A.—Yes, that was all attended to by our solicitor.

Q.—Can you not refresh your memory as to whether the circular was issued on the same day the agreement was signed was not a document that was reduced to its terms after consultation between you and Mr. Spur? A.—No, I think that was their own circular entirely.

Q.—You were very much interested in getting the negotiation through were you not? A.—Yes, but I had no knowledge from their standpoint as to why they should sell out their business. I can answer all questions as to why we bought, but I do not pretend to enter into the question of what induced them to sell out.

Q.—I have not asked that. A.—Some of them would not of course consent to the arrangement.

Q.—What happened to those? A.—Some of them just simply dropped their insurance, and others remained out for a longer time.

Q.—What happened to them eventually? A.—Well, they finally came to some settlement with Mr. Spur.

Q.—Mr. Spur had to deal with them? A.—Yes.

Q.—The clause as to getting the consent of these parties is numbered four in your agreement of the 12th July, 1894, and in that agreement your company is the party of the first part, and the Dominion Safety Company is the party of the second part, and the clause reads: "The party of the first part will, with the assistance of the party of the second part, as soon as possible endeavour to obtain the consent of the policyholders." (Reads.) So that under the agreement your company, with the assistance of the Dominion Company, was to get the consent? A.—Apparently.

Q.—No doubt that these circulars were sent out by you, using the name of the Dominion Safety Fund Company in order to get that consent? A.—It may be so, I have no definite recollection, but I have no doubt these circulars will show.

Q.—I am taking the circular of the 12th June? A.—You are referring to circulars from us?

Q.—Circulars issued in the name of the Dominion Safety Company or Mr. Spur, President, would be issued by you? A.—No, we would issue circulars also.

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Q.—Show me a circular you issued in your name. Would you swear there was one? A.—I would not like to swear there was one, but I would suppose there was.

Q.—I have handed to me all the circulars supposed to be issued, and there is not one signed by your company? A.—We have never stated these are all the circulars issued.

Q.—Will you state it now? A.—No.

Q.—Are there any others? A.—I have looked and have not found any others. I should like to get assistance. Do you remember whether we issued a circular, Mr. Young?

MR. YOUNG: That was before my time.

WITNESS: Then I cannot tell. Mr. Jardine tells me he made a search through old material.

MR. TILLEY: Did you get these circulars?

MR. JARDINE: Yes.

Q.—Are they the only ones you had?

MR. JARDINE: All that I could find, all that I know of.

MR. TILLEY: Have you any recollection about the issuing of these circulars?

MR. JARDINE: None whatever.

MR. TILLEY: Of any of them?

MR. JARDINE: No, sir.

MR. TILLEY: Q.—And you do not remember, Mr. Brock, anything about who settled the form of the circular? A.—Judging by the appearance of that I feel quite satisfied it was Mr. DeWolfe Spur's own production.

Q.—You would not put it in this language? A.—No, I have not that detailed information.

Q.—What is that? A.—The details of the company's business.

Q.—Do you mean to say you had not in your knowledge the information that the Dominion Safety had lost through the failure of the Maritime Bank in which their Dominion deposit was placed? A.—He mentioned that to me.

Q.—That was a well-known fact in insurance circles and it was badly crippling the company? A.—I never knew it until I went to St. John, never heard of the company in my life.

Q.—You knew it then? A.—He mentioned it to me. I remember his mentioning it to me, that he had lost money in the bank.



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Q.—That feature would be something that you would be aware of?  
A.—Oh, yes; but I do not think the circular bears any evidence of my having anything to do with it, and I think probably we issued a circular with it.

Q.—But you cannot produce any copy of the circular, or show me any correspondence bearing upon it in any way? Is that right?

MR. JARDINE: I have not looked up the correspondence.

MR. TILLEY: Could you look up any correspondence which would in any way help?

MR. JARDINE: We will have it looked up if there is time.

MR. TILLEY: There is no doubt these are all that you have?

MR. JARDINE: I am sure they are all there.

Q.—This says, "The Directors have therefore deemed it expedient to take advantage of those clauses in the Dominion Act relating to withdrawals." (Reads.) That looks as if something was being put here which Mr. Brock would know more about than Mr. Spur? A.—It looks as if it was taken from the blue book.

Q.—That would be taken from the blue book? A.—Those figures are in the blue books, and that is not the way I would have expressed it if I had drawn it, and besides Mr. Spur did not require anybody to assist him. He had had longer experience than I had in insurance matters. He was 12 or 13 years there.

Q.—How long did you have this circular in your possession? A.—I suppose we filed it at the time of the transfer.

Q.—That was the 12th July? A.—Yes.

Q.—"It is hardly necessary to say that this re-insurance contract preserves inviolate every right and privilege of our policyholders, and no interest of anyone of them will be allowed to suffer in the slightest degree by reason of this change." Did you notice that clause? A.—Yes.

Q.—Did that fairly express the arrangement you were making? A.—As far as insurance was concerned.

Q.—"Préserves inviolate every right and privilege of our policyholders." Will you say that was the fact? A.—In regard to insurance. That does not refer to the Safety Fund evidently I should think.

Q.—It does not refer to it simply because there would be an absolute

misstatement if it did refer to it?  
A.—I think so.

Q.—Therefore taken broadly it is a misstatement? A.—Apparently.

Q.—Did you correct it in any way?

A.—I do not remember anything about it. I have not the slightest recollection of it.

Q.—You knew your agreement with the Dominion Safety Fund was not preserving all the rights of the old policyholders? A.—No. Well I assume that they had already made some settlement with the others in connection with their—

Q.—But do you think it was right to assume that when this document was dated the very date of your agreement without making some inquiries to ascertain— A.—He had to get a settlement with them in connection with that before he could withdraw his deposit, so that he would have to come to some arrangement with them about that safety fund part of it.

Q.—The arrangement he could come to about that would be to get them to give up their old policies and take yours? A.—Yes.

Q.—And this was the circular that was endeavoring to bring that about? A.—Oh, but he had negotiations with them and paid them money.

Q.—There could not have been any negotiation between the date of your agreement and this circular, because they are both the same date? A.—That may have been sent to somebody who had no interest in the Dominion Safety Fund.

Q.—"The undersigned, (Mr. Spur) will in future represent the Great West Life Company at St. John." (Reads.) So that on the day of this agreement it was understood he was to represent your company? A.—Unquestionably from that.

Q.—"Enclosed herewith is a printed form of application for the proposed transfer of your insurance." (Reads.) You would not have issued that circular over your own signature would you? A.—I could not, it was their circular.

Q.—You would not do it if you were responsible for the correctness of the facts stated? A.—I do not remember now the conditions of their policy. I have not read this policy over, and I do not remember exactly the purport of it. I know our solicitor Mr. Culver was very careful in preparing the agreement that we should have no dealings with the Safety Fund.

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Great West Life.

(J. H. Brock, Ex'd.)

Q.—Would you have issued that circular over your own signature? A.—As Manager of the Great West Life?

Q.—As Mr. Brock? A.—I could not have done it.

Q.—If you had been the one to issue that circular would you have put it in that language? A.—I had no knowledge of the affairs between Mr. Spur and the depositors in the Safety Fund.

Q.—You knew a certain fund to which these policyholders had contributed— A.—Some of them only.

Q.—Was not to be held for their benefit any longer? A.—It was being divided among them, I understood, by Mr. Spur.

Q.—What did that fund consist of? A.—I do not know.

Q.—You do not know anything about it? A.—I do not remember how, I suppose the policy explains it.

Q.—Are you frank when you say you do not remember? A.—I have not a clear recollection.

Q.—We will develop it as you go along? A.—Let me see the policy. It is not fair to ask me questions about it now. I have no doubt I went thoroughly into it 12 years ago, but that is a long time ago.

Q.—Have you not had correspondence with the policyholders from that time to this asking for information and complaining about rates, that kept this thing constantly in your mind? A.—Never a reference to the Safety Fund since we took over the business as I recollect of.

Q.—What do you mean by Safety Fund? A.—That is the reference to this clause.

Q.—That fund absolutely disappeared? A.—I believe it was divided.

Q.—You got \$25,000? A.—Yes, from the company.

Q.—Where did that come from? A.—From the company.

Q.—Where from? A.—I suppose from the stock— well I understood that was from the company.

Q.—Tell me what the Safety Fund was that you are speaking about? A.—“The said association will complete and register.” (Reads from policy.)

Q.—Tell me what is the Safety Fund? A.—It was the \$10 payment by the members, and it was apparently to be accumulated and divided in the way set forth here.

Q.—For what purpose was it to be used? A.—It says, “shall be apportioned as dividends to the several

members of that class.” And it says “such dividends shall be applied to the reduction of the premium after the first distribution of interest.”

Q.—That fund was contributed to by the policyholders at the rate of \$10 for each thousand? A.—Yes, by some of them.

Q.—Some took the Safety Fund, and some did not? A.—Well, those in that class contributed in that way.

Q.—Besides that payment what payment did they make? A.—They paid for their insurance—insurance premium.

Q.—How was the insurance premium settled? A.—They paid the amount called for, I understand, for their age, for their present age by the actuaries' tables of mortality. I noticed that in the blue book just now, and refreshed my memory in regard to it.

Q.—Was it a level assessment, or was the assessment based on the age in the year in which the assessment was made? A.—It is the same as a yearly renewal of the premium.

Q.—It is the same as term insurance? A.—It is a term insurance.

Q.—They were governed by the actual death rate? A.—As I understood their policy if that was not sufficient they would make a further call. I notice in their circular one point that made that clear, “Cost of insurance must be paid by the insurer.” (Reads.)

Q.—That is they were being assessed to pay the death claims? A.—If the premium was in excess of the amount paid in, the term ran, then they agreed they would pay so much additional.

Q.—That would be the net premium. Now what was added to that for the company? A.—Three dollars per thousand per annum.

Q.—Did your policy duplicate the provisions of the old policy? A.—Not in any respect in connection with this Safety Fund, only the insurance.

Q.—Why did you eliminate the Safety Fund? A.—Because we did not wish to have anything to do with the Safety Fund, and we understood a part of that money had been lost by the failure of the Maritime Bank.

Q.—Where was the money that was lost? A.—It was in the Maritime Bank.

Q.—Deposited there to the credit of the Government? A.—Yes.

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Q.—As part of the reserve? A.—No, as part of the deposit.

Q.—As part of the required deposit by the Government? A.—Yes.

Q.—\$45,000 I think? A.—It seemed to me very strange, I could hardly understand it, when Mr. Spur explained to me, he said the Government refused to accept any liability, although it was in the name of the Government, I have never looked after that legal question, or asked any opinion about it, but it was in the name of the Government.

Q.—That was in 1894. There was litigation. The Government repudiated— A.—Yes, and it was held they were common creditors.

Q.—The Government sought to be held to be preferred creditors of the bank? A.—Yes.

Q.—That was part of the deposit that was lost to the extent of \$45,000, less any dividend they would get? A.—Yes.

Q.—And they subsequently put up a further deposit? A.—I assume so.

Q.—Was that not what the Safety Fund was for—to provide that deposit? A.—I could not say.

Q.—I should like to know what you have to say about it? A.—I am not prepared to express a legal opinion on that.

Q.—I am not asking for a legal opinion. I am asking you your understanding at the time, and refresh your memory as much as you please by the policy? A.—Will you put your question again, I do not quite understand it.

Q.—Was that not the object of the Safety Fund, to provide that Government deposit, to give them a fund out of which to provide a deposit?

A.—Yes, there is a clause. That appears to be the object.

Q.—We have got that far, that the Safety Fund was a fund raised by each man contributing \$10 when he would go into the company? A.—Yes.

Q.—And that \$10 being put up by new members all the time would provide that money with which to keep up their deposit? A.—Yes.

Q.—And as they would get the new members in it they would be able to release the \$10 by the old members? A.—Yes.

Q.—That was the scheme? A.—Yes.

Q.—At the time you made the arrangement with them there was a Government deposit? A.—Yes.

Q.—And you were to get \$25,000 out of that? A.—We were to get \$25,000 from the company.

Q.—But that was the source from which it was to come; that is plain is it not? A.—No, I think they would pay us money for securities, and that subsequently they offered us certain securities they had on hand, and that we agreed to accept those.

Q.—Is it not perfectly plain by this document that you were to get \$25,000 of the money in the deposit there? A.—Which deposit?

Q.—Here is the clause which refers to it. (Reads clause.) It goes on all the way through referring to the Government deposit. Was that not the source from which your \$25,000 was to come, and was not that the only source? A.—I do not really know. I assume they had some other money besides that.

Q.—Some other money besides what? A.—Besides what they had deposited.

Q.—This whole agreement seems to be based on the stipulation that you shall get some transfer or release of that fund, so that you will be amply secured? A.—Just read the other clause which shows we have nothing to do with that fund.

Q.—There is no clause that you shall have nothing to do with it as far as the policyholders who are interested in it are concerned, but there is this clause which says you shall take it? A.—Will you allow me to read that clause?

Q.—I will read the clause I am at, and will read the other clause when I come to that part of it? A.—I think it is absolutely essential that I should have in mind what that other clause was.

Q.—Oh yes, you can run through it for that purpose? A.—We agree here to pay the death claims of the said parties.

Q.—There is no doubt that the agreement stipulates that you shall not account to these policyholders for that safety fund? A.—It goes on to show we must have the death claims submitted to us.

Q.—It is no doubt perfectly clear under this agreement, that you were protecting yourselves against applying that Safety Fund in reduction of premiums, as the other company was bound to do. They were bound to do that? A.—They evidently had some liability in connection with that that we were not to assume.



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Q.—And the liability they had was to apply that money in the reduction of the premiums, or in some way give the policyholders the benefit of it? A.—Yes, that would be it, certainly.

Q.—The point I was making with you was that you were to get \$25,000 of that Safety Fund, and by reading this whole agreement together you were to take the \$25,000 of the Safety Fund and keep it, and not give it back to policyholders? A.—You said a minute ago that that \$40,000 was lost, and the parties had to replace it out of other moneys.

Q.—I said when the transaction went through there was this deposit? A.—Yes.

Q.—And that deposit represented the Safety Fund? A.—No, because the Safety Fund had been lost.

Q.—The \$45,000 had been lost, not the whole fund? A.—And then the parties themselves put up their own funds.

Q.—Let us know about that? A.—That is my understanding.

Q.—What parties? A.—The Dominion Safety Fund.

Q.—The shareholders or the company? A.—The company.

Q.—What moneys had the company besides the Safety Fund out of which to do it? A.—I do not remember now what funds they had.

Q.—The source of its revenue would be the \$10 to the Safety Fund, and the actual payment for death claims and the expense? A.—They may have had some stock or something else that I do not know of.

Q.—You do not remember? A.—No.

Q.—If you were to keep that \$25,000 and not account to the policyholders for it, which you were to get out of the Government deposit, do you think the circulars issued to the policyholders are fair statements of the arrangement between you and the other company? A.—Unless the Dominion Safety Fund made some settlement with them in regard to that, I do not.

Q.—Will you tell me whether you ever took any pains to inquire whether these policyholders had been settled with or not? A.—I understand that was investigated by the Government, and that they would not release their securities until they had settled with them.

Q.—You understood that at the time these circulars had been sent out that

they had not been settled with? A.—No, it must have been subsequent.

Q.—So that you knew at the time you saw this clause in the circular that it was untrue? A.—I do not know when I saw that clause in the circular.

Q.—I understood you to tell us it was about the time it was issued? A.—No, excuse me. I said we just discovered it the other day, and I do not know that I ever saw it before. I may have, but I do not remember.

Q.—Did the Government release that deposit that it had at Ottawa upon it being shown that the policyholders had taken your policies instead of the policies in the old company? A.—Excuse me, I was just reading this note, which I might be allowed to do. Mr. Young sent me this note, "There was a residue of safety fund at the time of the transfer which was distributed to the proper parties." He was living down there and had charge of our business, and I suppose he has more accurate knowledge of what occurred than I had.

MR. TILLEY: How much was distributed?

MR. YOUNG: I could not tell you.

WITNESS: A settlement was made with them I understand.

MR. TILLEY: Q.—After taking out the \$25,000 they state the balance? A.—What they paid them I have not the slightest idea. I have not a knowledge of one circumstance in connection with it, and we felt there might be some difficulty in making the settlement, but we had nothing to do with it, it was not our business.

Q.—The agreement says you were to get them to transfer? A.—If they would take our policies, that was the whole settlement.

Q.—The settlement was the taking of your policies? A.—Well it was a different thing—

Q.—But the Government would consider it settled when they took your policy in lieu of their own? A.—When they agreed to surrender their policies I suppose that settled the whole matter. Some of them were outstanding for a long time.

Q.—There is no question that these circulars were the representations on which your policyholders took your policies and gave up their own. There cannot be any question about that? A.—The policies that were submitted

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—they were given an opportunity to see them before they signed it.

Q.—But they read the printed circular, and it says the policy will be the same, and that every right they have will be preserved inviolate? A.—Yes.

Q.—So that they would consent to give up their own policy without paying much attention to its terms, and take a new one, believing every right they had would be protected? A.—I would assume that circular would only go to those that were settled with.

Q.—That is another circular of which you have not a copy apparently, November 1st, 1894, exhibit 404, which reads in this way— (Reads circular.) So that they could not know the terms of that up to November 1st? A.—No.

Q.—Have you a copy of the circular of October? Apparently there is one of July and another of October. I have not the one of October. Have you? A.—Not that we are able to find it.

Q.—After those two circulars were sent out this one of November 1st was sent out, pointing out three options the policyholder had. (Reads circular.) Do you think that is fair? A.—I think not, if they had not settled with him.

Q.—This was issued by Mr. Spur, the Chairman of the Board? A.—Not as Chairman.

Q.—The circulars of necessity would be sent out in the name of the old company? A.—He would never consult us as to what he did with the safety fund.

Q.—The agreement provided it should be done by one, the other assisting. Mr. Spur is chairman of your Board and President of the old company, and he is doing the work. Do you think you are not responsible? A.—How does he sign it?

Q.—J. De Wolfe Spur, President? A.—He was not President of the Great West Life.

Q.—He is President of the Dominion Safety Fund? A.—We are not responsible for that circular, and I think you would advise us that way now if we asked you.

Q.—On February 1st, 1905, Mr. Spur sends out to the policyholders a circular reading in this way "In accordance with the re-insurance arrangement made with the Great West Life Assurance Company a policy of that company is now ready, and will be sent in exchange and in substitution

for your policy in this Association, on receipt of the premium called for by the enclosed notice, and this payment will be acknowledged by receipt of the Great West Life Company. Yours truly, J. De Wolfe Spur, President." Then you issue your form of policy, and you supplied us with two or three forms. Are they of different kinds? A.—There is some distinction in the conditions as to occupation. There is some slight variation. We followed the Safety Fund in regard to that.

Q.—This will be Exhibit 405. This policy reads in this way: "The Great West Life Assurance Company, Head office, Winnipeg, Manitoba." (Reads.) Does that not incorporate into your contract all the conditions and arrangements made between the policyholder and the old company? A.—I suppose that is a legal question.

Q.—What would you say about that? Is it not clear that that is what the insured would think, at any rate? A.—Yes, I think so.

Q.—Were all the conditions incorporated? The fact is they were not? A.—You see they were if the application was incorporated.

Q.—Was the agreement that was made assumed to incorporate all the conditions, or was not that Safety Fund transaction eliminated? A.—Then I suppose that was not in the application. That may have been a separate thing for all I know.

Q.—"The statements and agreements made to the Dominion Fund Life Association in the application for insurance." Have you the form of application here? A.—No, I have not, but we can get you one.

Q.—Then in the margin "This policy is issued in exchange and substitution for certificate number 4675 of the Dominion Fund Life Association." On the back of it are certain conditions and privileges. "The premium payable under this policy of insurance shall consist of the expense charge of \$3 per annum upon each \$1,000 insurance, together with the annual assessment," etc. (Reads.) What is the force of stipulating that you shall not charge an amount less than the table of rates shown on the policy? A.—It means we shall charge him the full amount.

Q.—What is the force of that stipulation? A.—The force is that if there should be a surplus that we should be entitled to that surplus.

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Q.—That is to say, if there is a surplus by charging these rates that are endorsed on the policy that he could not say to you “I have been paying more than sufficient to carry the policies, and therefore you must account to me for something back?” A.—Yes.

Q.—Do you think the assured might assume from that that the rates were not to change from that table? A.—I do not think so.

Q.—Have they changed from that table? A.—Yes.

Q.—They have gone up considerably? A.—In some years considerably. For several years they were just uniform.

Q.—And where did you get that table of rates? A.—From the actuary's table of mortality.

Q.—Did you get it from the policy that was in use? A.—Well, from the same table, yes.

MR. TILLEY: There is a table on the back of the Dominion Safety Fund policy; are those tables exactly the same, Mr. Jardine?

MR. JARDINE: I think so.

MR. TILLEY: Q.—The Dominion Safety Fund has a table of ratios?

MR. JARDINE: Yes.

MR. TILLEY: At age 25 the ratio is 74?

MR. JARDINE: Yes.

MR. TILLEY: Multiply that 74 by 10 and it gives you the cost for that year. Your policy has \$7.47?

MR. JARDINE: Yes.

MR. TILLEY: Your table on the back of your policy is not an exact equivalent with the table on the back of the old policy?

WITNESS: There is a decimal there, and it would make the ratios different. We have taken the exact figures from the actuary's tables.

MR. JARDINE: Take at age 35.

MR. TILLEY: You charge less at 35?

MR. JARDINE: There is a little variation. We gave it the exact figure, and they did not do it exactly.

WITNESS: They give a table of ratios, and we refer to the actuary's table of mortality. Their table is founded on that, but the fraction of a cent is eliminated.

MR. TILLEY: Q.—The result would be that on the whole body of policies the tables would produce about the same? A.—Yes, in each case, within a trifling amount.

Q.—Did you commence charging the policyholders the rate shown on your table? A.—Yes.

Q.—Take Abraham Latta; it is said he was 60 years old in 1895 when the transfer was made? A.—Here it is.

Q.—Is that right?

MR. JARDINE: Yes.

MR. TILLEY: According to your table for a man 60 years of age, the same table printed on his policy, his premium would be \$29.17 per \$1,000?

MR. JARDINE: Yes.

MR. TILLEY: How much was he insured for? \$2,000, was he not?

MR. JARDINE: Yes, \$2,000.

MR. TILLEY: So that his premium according to that ought to be what?

MR. JARDINE: If paid annually it would be \$58.34.

MR. TILLEY: Here is a card 30th April, 1895, acknowledging a quarterly payment of \$16.10?

MR. JARDINE: Yes.

MR. TILLEY: That would amount to what?

MR. JARDINE: \$64.40.

MR. TILLEY: Instead of \$58.34?

MR. JARDINE: Yes.

MR. TILLEY: You say \$64.40 is the quarterly equivalent of \$58.34?

MR. JARDINE: Yes.

MR. TILLEY: On what basis?

MR. JARDINE: On the basis of the Dominion Safety Fund.

MR. TILLEY: On what? If it is the equivalent, it is the equivalent on a good high rate of interest?

MR. JARDINE: It is there on the table.

MR. TILLEY: Your quarterly payments are not shown here.

MR. JARDINE: Those are the annual premiums.

MR. TILLEY: Where does it say annual? You see the contract reads in this way, “In consideration of the statements and agreements made by the Dominion Safety Fund Life Association and of the payments of the quarterly premium specified in the conditions and privileges endorsed hereon”—Would not a man taking that policy pay a quarterly premium on the basis of that table would be a quarter of that amount? What would you think?

MR. JARDINE: No, I think you would not; that is the annual premium, and a quarterly premium is a quarterly equivalent of it.

MR. TILLEY: A quarterly equivalent with a fair interest added to make good?

MR. JARDINE: And the expense added to it. It makes four times the work, with the postage, etc.



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MR. TILLEY: Should not a man be shown that?

MR. JARDINE: I suppose he was shown that. He had his option.

MR. TILLEY: I have read everything that I can find that would tell me what you were going to do for him?

MR. JARDINE: I suppose he applied for a policy with quarterly premiums.

MR. TILLEY: At the present time Mr. Latta is paying you at what rate?

MR. JARDINE: His last payment was \$78.88.

MR. TILLEY: That is quarterly?

MR. JARDINE: Yes.

MR. TILLEY: Multiply that by four and what is he paying you each year?

MR. JARDINE: \$315.50.

MR. TILLEY: How old is he now?

MR. JARDINE: He is now 71.

MR. TILLEY: And according to this schedule for the age 71 he should be paying \$134 to \$135—

MR. JARDINE: Put them on the same basis.

MR. TILLEY: Put them on any basis?

MR. JARDINE: \$34.75 is the quarterly equivalent.

MR. TILLEY: And he is paying—

MR. JARDINE: \$278.

MR. TILLEY: Working out according to this table on a quarterly basis, \$34.75 would be \$278 a year?

MR. JARDINE: Yes.

MR. TILLEY: And he is paying \$315.

MR. JARDINE: Yes.

MR. TILLEY: The difference being due to what?

MR. JARDINE: To the excessive death rate.

MR. TILLEY: He is paying higher than the table.

MR. JARDINE: He is paying according to his agreement.

MR. TILLEY: He is paying higher than the table itself would indicate?

MR. JARDINE: Yes.

MR. TILLEY: Have you a copy of the application of Mr. Latta or any form of application?

MR. JARDINE: I will send for one.

MR. TILLEY: Is there anything that you know of that was communicated to Mr. Latta or any other person in his class that by this transfer they were going to lose the benefit of any moneys that might be held by the company by way of Government

deposit or safety fund or anything else?

MR. JARDINE: I do not know anything about that at all.

MR. TILLEY: You know nothing that would indicate that one way or the other?

MR. JARDINE: No.

MR. TILLEY: How did you treat the \$25,000 that was paid to you under the agreement, Mr. Brock? A.—

We treated it as a premium receipt. Q.—The first year's premium? A.—An extra premium.

Q.—Would you put it in your first premium or renewal premiums? A.—First premiums or new premiums.

Q.—In your Government return you would just increase the amount of your first year premium by \$25,000? A.—Yes.

Q.—Why did you show it that way? A.—Because there was no other account that we could put it to; that is the way we always treat the extra premium.

Q.—You call that an extra premium? A.—Yes.

Q.—It was just the profit you were making on the transaction? A.—We did not know whether it was going to be a profit or not.

Q.—How could it not be a profit? A.—In several ways. If, for instance, through contingency a large number of these people dropped off—if the rate was higher and they did not pay it—we would have to pay the death claims and we do not know what the death claims will be till afterwards.

Q.—But the policyholders must pay premiums based on the actual death rate? A.—Yes.

Q.—And to that under the old agreement \$3 was added for expenses? A.—Yes.

Q.—I suppose that more than fully covered expenses? A.—No, it did not cover expenses.

Q.—Since you took over the business? A.—No, I think not. That is one reason why we wanted the company to pay us something additional. They discussed this before with certain companies, and that acted as a barrier, and they were not willing to take over the business.

Q.—Would it not be proper to show that \$25,000 as income received on the transfer of that business? A.—That was discussed with the Superintendent of Insurance as to how it

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should appear, and he seemed to be satisfied with that.

Q.—Why did you discuss it with him? A.—Because he goes over the details of all our entries.

Q.—Why would you need to discuss it with him? A.—In the first place because the question was raised as to whether that should appear as new business, or whether it should occupy a special item as reinsured business, and he decided finally that as we took applications in each case, and it was not a reinsurance in that way directly of the company, we took the application for each policy, and it could be treated as new business. I do not see it makes any difference which way we treated it.

Q.—You took the application in form— A.—Yes, that seemed to be the proper way by our book-keepers to enter it.

Q.—Do you say \$34.45 is the quarterly equivalent of an annual premium—

MR. JARDINE: We multiply it by eight.

MR. TILLEY: This last year is not an extra amount. That is just progressive, is it not? For instance, last year it was \$39.44 quarterly, and another time \$36.62, \$36.18, \$37.16 and so on. On the 14th June you received from him this quarterly payment of \$39.44?

MR. JARDINE: Yes.

MR. TILLEY: Multiply it by four and you will see what he was paying.

MR. JARDINE: \$152.76.

MR. TILLEY: And according to the table on the policy he would expect it to be what?

MR. JARDINE: \$139.

JUDGE MacTAVISH: That is for what?

MR. JARDINE: For a year's premium.

MR. TILLEY: Then according to your computation he is not paying over \$300 a year premium?

MR. JARDINE: No.

MR. TILLEY: It is just half of what you mentioned before, \$152.70?

MR. JARDINE: Yes.

JUDGE MacTAVISH: It should be \$157.76, should it not?

MR. JARDINE: Yes, that is right.

MR. TILLEY: That is the premium he is paying and the premium he would expect to pay according to the table on the policy would be \$139?

MR. JARDINE: Yes.

MR. TILLEY: Do you make a computation of the premium each year?

MR. JARDINE: Yes.

MR. TILLEY: You make it personally?

MR. JARDINE: Yes.

WITNESS: He means the company does it.

MR. TILLEY: No, I mean what I say.

MR. JARDINE: I instructed the clerk to do it.

MR. TILLEY: To do what?

MR. JARDINE: To add the percentage necessary to cover the balance of death claims.

MR. TILLEY: Do you actually each year make the computation to show what each one of these policyholders should pay?

MR. JARDINE: No sir. The premiums received are all on the same basis.

MR. TILLEY: You add a percentage each year?

MR. JARDINE: Yes. Not the exact amount, but a percentage.

MR. TILLEY: Q.—Have you had any enquiries from these old Dominion Safety policyholders on this subject of premium, Mr. Brock? A.—Yes, we have had letters.

Q.—Do they complain of the increased premium? A.—They do, yes, just the same way that all our yearly renewal policyholders complain, as they increase with old age.

Q.—Do any of them enquire about that Dominion Safety Fund? A.—Never had anyone enquire.

Q.—They would not describe it in that way; they just had a vague notion that their premiums would decrease? A.—They never said so, but some of them said they did not think they would increase so much.

Q.—Has it been quite a well known thing that these premiums would increase each year, Mr. Jardine?

MR. JARDINE: Oh, yes.

WITNESS: The table distinctly shows they are expected to increase.

MR. TILLEY: But I mean over the table rates?

MR. JARDINE: Yes.

Q.—Have you ever been back to the table rates since you took it over, Mr. Brock? A.—After we once got above it we never got back to it.

Q.—And will never be back to it?

MR. JARDINE: We are getting close to it. The mortality has been more favorable than it was. It was very high for a while.

WITNESS: Right after the change we naturally expected an increase be-

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cause some of the parties dropped out, the most healthy, I suppose, and probably the selection was not the best of the lot.

MR. TILLEY: I will attach the form of consent that the policyholders were to sign to the circular that was issued to them. Have you the form of the application here yet?

MR. JARDINE: Here are some forms.

MR. TILLEY: I put in a form of the application, which, under your own policy, the Great West policy, is incorporated into your policy, and I will attach that to Exhibit 399 which is the old Dominion policy, which was issued pursuant to the application, and the application contains this "I hereby declare that I have carefully read the foregoing answers," etc. (Reads.) That application refers to this very safety fund and its division. It commences in this way "I so and so hereby apply for one certificate of membership," etc. "And I agree to make the deposit for the Safety Fund as follows." So that having applied to be put in the Safety Fund, and having agreed that any division or distribution made by the Association should be taken by him to be an equitable distribution of the fund—all that application is incorporated in your policy, is it not? A.—Apparently.

Q.—And there is nothing in your papers with the policyholders that you can show that in any way intimates that they are not to have their premiums reduced by a proper application of the Safety Fund moneys that they have paid in? A.—No reference to it whatever.

Q.—And the only reference to it is the agreement between you and the company whereby it says you were particular to guard against that between you and the company, but the policyholders by the circulars are not told anything about it when they exchange their policies and take yours? A.—I assume that the policyholders and those interested in the Safety Fund were all dealt with by that policy.

JUDGE MacTAVISH: What application is that?

MR. TILLEY: The application to the original Dominion Safety Fund Association, and by the policy of the Great West all that is incorporated in their policy and made part of their contract. There was a form here of the application they made to your company. Have you that?

MR. JARDINE: No. Apparently we issued those and sent them down here.

MR. TILLEY: There was one lying here yesterday. "I hereby consent to the transfer of my insurance to the Great West Life Assurance Company, Winnipeg, and agree to accept its policy of insurance for the same amount as my present insurance in the Dominion Safety Life Association," etc.

MR. LANGMUIR: It is not a new application.

JUDGE MacTAVISH: It is a consent.

MR. TILLEY: The policyholder would think he was transferring from one company to the other and in on the same basis as he was before. You have not a copy of the circular issued "Life Insurance at cost" by the old Dominion Safety Fund Life Association?

MR. JARDINE: Yes, I have.

MR. TILLEY: I suppose that explains it just as well as the other does. I will put this letter in if it is necessary.

Q.—What was that suit? A.—That was a suit he commenced against us for non-fulfilment of contract of hiring.

Q.—Owens was your agent in Toronto? A.—Yes.

Q.—You have not a copy of his contract here? A.—No, it is filed in connection with the action he commenced there.

Q.—Tell me the basis of his remuneration? He was to get first a guarantee of \$2,000, was he not? A.—Yes, provided he did a certain amount of business.

Q.—Was he not to be paid on commission with a guarantee of \$2,000? A.—Yes.

Q.—What was the commission? 70 per cent.? A.—Yes.

Q.—Was he not promised an extra ten per cent. if he wrote a certain amount? A.—Yes.

Q.—We have in a general way his contract, 70 per cent., a guarantee of \$2,000—A.—If he wrote a certain amount.

Q.—Was that contingent on writing so much? A.—Contingent on his writing so much business monthly.

Q.—Had he exclusive districts? A.—No.

Q.—That was in the year 1903? A.—I think so.



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Q.—Was his complaint that you sent out circulars offering a discount to certain persons to insure with you?  
A.—His complaint was that—

Q.—I do not want the details? A.—The suit has been decided. It was decided against him, that his statements were not reliable. It was simply an attempt on his part to make his contract run for calendar year.

Q.—That is not what I was asking about. What I would like to know is this: was there any complaint between you and Owens as to your sending out letters to people in Toronto that he was trying to insure, offering them certain special terms if they would send their applications direct to the Head Office? A.—I do not remember. He made certain statements in regard to that letter which was produced here yesterday.

Q.—Was the act that you did, of which he complained, the sending out of that circular letter? A.—Yes.

Q.—Did you get other complaints from other agents of the same kind? A.—I do not recollect any other agent, with the exception of Mooring, of Port Arthur, whom we had to sue.

Q.—Were your agents consulted before you sent out this circular? A.—No.

Q.—Do you think it was a fair thing to send it out? A.—I thought so at the time.

Q.—Do you think so now? A.—Yes, I thought we had no right to consult our agents in giving a dividend directly to our policyholders.

Q.—These agents had brought to you the policyholders? A.—Some of them had.

Q.—I am only dealing with those. They had brought them, and they were still working for you on commission? A.—Yes.

Q.—And then you, without regard to them at all, sent out a letter to all the policyholders? A.—Yes.

Q.—Offering them, if they will send their applications direct to you instead of through the local agent, that you will give them 33 1-3 per cent. off? A.—That is it. That is just the policyholders, of course, and only within a certain number of days; I forget; I think 12 days or two weeks—twelve days.

Q.—What time was it? A.—March 19th, and they had to be in before the end of March. It was an attempt to carry out some views that had been expressed by the commission, that it

was our duty to try and get business cheaper and it was to see whether the policyholders would appreciate an opportunity of that kind.

Q.—Did they appreciate it? A.—Not to any extent.

Q.—Was your offer based on a medical examination, and so on? A.—It was an application that would require a medical examination, unless they had been examined within a reasonable time.

Q.—You had no general complaint from your agents? A.—No.

Q.—So you think insurance agents are overpaid? A.—I do not.

Q.—So you think they do not get too much money? A.—I do not.

Q.—Even if they keep it all without any rebates? A.—There has to be a distinction drawn. It is hard to say that an agent, where he is working in the country, and can only get \$1,000 applications, and has to drive from farm to farm to get them—it is a serious question whether his contract is any too liberal. I think the most liberal contracts granted by the companies do not overpay. Where a man has special conditions he may make a large income where he can write large policies on the same commission basis.

Q.—Take on the average, you think they are not too high? A.—I think the commissions paid are about right under the present circumstances.

Q.—Take a contract of the nature of Owens, where he got 70 per cent., and then ten more if he wrote a certain amount of business, that would bring it up to 80 per cent.? A.—His great complaint was that we would not allow him to rebate, and he made rebates, being offered by other agents.

Q.—Did he not say to you "You have sent out this circular broadcast, and I am trying to insure these people?" A.—Excuse me, he did not say that, because it would not be true.

Q.—I mean broadcast to the policyholders? A.—That is a different thing. We only sent it to the policyholders in recognition of the company's success during the first ten years of its existence.

Q.—Did he not want to make the same allowance that you were making? A.—No, he wanted to make a heavier allowance than that.

Q.—Have you the correspondence here? A.—No. I do not think it was correspondence. I think those were

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objections entered in that suit. It was his case or pleadings, or whatever you call it.

Q.—An agent such as that would be getting about 80 per cent.; that is if he made the proper amount of insurance? A.—No, he would not make anything like 80 per cent., because that is a graded contract, and the commissions on some plans are very much less than that. I think commissions were under 50.

Q.—If they were 50 per cent. they would be 50 per cent. on higher premiums. Would it not average 50 per cent.? A.—No.

Q.—If he sold the requisite amount of insurance? A.—No, because it was graded from that down.

Q.—What would it average on the life plan? A.—Probably 60 per cent.; that is taking ten, fifteen and twenty payment life on his contract.

Q.—And you were offering the policyholders a discount of a third on their premiums? A.—Just during that time.

Q.—Was that not an attempt on your part to get the business into your office and past your agents and save their commission? A.—It was an effort to show our appreciation of the assistance we had received from those policyholders who had taken policies in the Great West when we were being, I might say, persecuted on account of our impairment of capital, and every possible argument used against us to induce these people not to continue their insurance with us, and not to take with us in the first place.

Q.—Persecuted by whom? A.—By our competitors in business.

MR. KENT: Q.—Generally or specifically? A.—Oh, generally. The case seemed to be that the older companies and the representatives of the older companies would try and induce the parties, not to take insurance with us, and we had very strong pressure brought to bear in that way. They would state we were not a strong company for a young company. I do not mean to say all the statements were unjustifiable. They would say "Here is a company just starting; why not take insurance in an older company. Here is a company with an impairment of capital. Why not take it with some other company?" and we felt that these policyholders who had taken policies with us were entitled to some recognition.

MR. TILLEY: Q.—And you thought you could give them that recognition,

and at the same time make a little money for the company? A.—If we got them, of course it was making some money for the company.

Q.—And the only officer who would lose would be the insurance agent? A.—Beg pardon, I think the insurance agent would not lose because if we improved our policyholders and the position of the company, we were making it easier for them to do business.

Q.—Every person profited by this? A.—We were agreed upon that. I think it was to the advantage of everybody. Of course we do not expect to please our competitors in everything we do.

Q.—I am afraid you would have a hard job to do that? A.—I think so.

Q.—Have you ever written up your securities of any kind, or written them down? Have you written up your securities at any time? A.—Yes.

Q.—Just tell us about the transaction? A.—We wrote the Winnipeg debentures we held up to the market value in the early days.

Q.—When? A.—I forget which year.

Q.—1893? A.—I think so.

Q.—How much did it involve? A.—A couple of thousand dollars.

Q.—\$2,520? A.—Yes. We wrote them up to the market value of five per cent. debentures.

Q.—Did you ever write them back again? A.—Yes.

Q.—Why did you do that? A.—We had sold a property on which we had made \$4,700, and we thought it would be a good time to use that profit in putting them back to the cost price.

Q.—Why did you want to do that? Had they changed in value? A.—No, but we have since that taken all our debentures and securities of that class at cost price.

Q.—I suppose if you had not made the profit on the real estate you would not have written them down? A.—Perhaps not then, but we would afterwards. The market value on our securities is over \$10,000 greater than the price at which we took them in.

Q.—Have you changed your valuation of any of the other securities? A.—I think there were a couple of slight changes at the same time, and we used up the balance of that \$4,700 in reducing them.

Q.—The \$4,700 was a profit on your property in Winnipeg that you had held for a head office? A.—That we had bought for that purpose.

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Q.—You changed your mind about it? A.—Yes.

Q.—And thought it would be better you should rent your head office premises and dispose of this property again? A.—Yes.

Q.—Why did you change your mind on that subject? A.—We asked for tenders for the building and they cost a good deal more than we anticipated.

Q.—You thought it was too much money to put into buildings? A.—No, but we thought the cost was excessive, and we did not think the building would last us long enough to justify that expenditure of money. It was only a 25 foot lot. We decided after careful consideration it was better not to expend the money, that it was better to sell it.

Q.—You were able to sell it at a profit of \$4,700? A.—Yes.

Q.—Since that you have not acquired any property for head office purposes? A.—No.

Q.—Have you negotiated for any? A.—Yes, we have.

Q.—So that you still have it in your mind at a suitable opportunity—

A.—Some day we will probably find it necessary with the growing business to build an office.

Q.—When you realized that profit of \$4,700 what did you do with it? Have you the account here? A.—No, I have not. I have just explained two items that we charged up to that, and we took off another asset, I think, agents' allowances, a small amount, to wipe off the balance.

Q.—I would like to have the account here? A.—We have the ledger here.

Q.—That is it? A.—December 31st, 1902, we wrote off that \$2,520 on account of the Winnipeg debentures; \$280.30 on account of mortgage real estate.

Q.—Why was that written down? A.—We decided we would get it down, because at that time we were behind and knocked it down to even money, office furniture and fixtures \$1,039.55.

Q.—Why was that written off? You thought the time had arrived to write it off? A.—Yes, we wrote off that much more for natural wear and tear; that would leave \$860.33, which was written off agents' balances.

Q.—How was that accomplished, to get that written off agents' balances? A.—We wrote off agents' account to commissions accounts, anything we thought should be taken off, leaving a balance which was admitted to be a

good asset, and then we wrote something off that asset.

Q.—What is this item here, \$44,285.92? A.—That is the balance; that with this amount and this amount make up the agents' amount here.

Q.—Tell me why that \$44,000 is credited to that account? What is this? A.—The difference between \$4,285 and \$4,226; it just used up the balance.

Q.—Why did you put it that way? A.—I do not know if—

Q.—How much was taken off agents' balances? A.—\$860.33.

Q.—Were two items put in agents' balances? A.—Yes.

Q.—Were those balances such as you expected to collect? A.—Yes, we cut that down to an amount we thought we could collect.

Q.—Did you make up your average interest earnings for me each year? A.—No, it has not been made up.

Q.—Let me understand how you make up your mortgage account. You charge up, I suppose, in the account the amount advanced to the mortgagor and all the expenses that you have paid out which you deduct from him? A.—Yes.

Q.—In the way of valuation fee and law costs and so on? A.—Yes. We went through the details of the account with the accountant.

Q.—Then you take all your income by way of interest, and in figuring out your average interest held do you compute that on all the assets of the company, or just the assets invested in real estate? A.—No, on all the assets of the company except certain assets that cannot be invested.

Q.—What assets cannot be invested? A.—Unpaid premiums.

Q.—You have computed it on all assets except— A.—What are called in the blue book ledger assets.

Q.—Give me an example of something that you have eliminated in computing it? A.—Interest due, interest accrued to outstanding and deferred premiums. Those are the items.

Q.—On outstanding and deferred premiums do you charge interest? A.—Often the outstanding premiums are not due.

Q.—You charge interest on those that are due? A.—If they are paid by note. The outstanding premiums that are past due after we take a note for them we charge interest.

Q.—Do you deduct anything to represent the investment expenses or



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general investment expenses? A.—Yes, the actual payments made by our inspector. Instead of charging that to the cost of the mortgage, we deduct that from interest.

MR. LANGMUIR: Q.—And the commission paid for the loan? A.—And the commission paid for the loan, and the travelling expenses of the inspector, and we take off a round amount.

MR. TILLEY: Q.—What round amount do you take off? A.—It would run probably a half per cent.

Q.—Do you think that is a fair deduction in respect of that? A.—Yes, I think it is; that does not represent the total cost of it, but we thought that would be a proper amount to take off interest. That is a question that is not finally settled. Some companies invest the whole of their expenses. A company like the Canada Life, that item is deducted from interest, or goes to expenses, and I myself think the whole of it should be deducted from interest.

Q.—Do you take part from interest and part from expenses? A.—Yes. The question is whether we should take any of it, and we produced a number of authorities to the directors, and we finally decided we would keep on on that course until some ruling of the department would settle it.

Q.—Do you issue any special terms on policies of certain amounts? A.—Yes.

Q.—What do you do in that regard? A.—Non-participating policies for \$5,000 and over we meet the rate quoted by some of the American companies, the Travellers', for instance.

Q.—Do you meet that rate in your rate book? A.—No, we do not publish that in our rate book, because we only meet that competition in large cities.

Q.—Tell me how a transaction like that can be carried through? A.—We issue rates at which we issue \$5,000 policies, or more, at a commission slightly less than our non-participating and subject to a commission only to the agent of 10 per cent.

Q.—The insured gets the \$5,000 policy at less than your regular rate book would demand of him? A.—Yes, for a \$1,000 policy or less than a \$5,000.

MR. KENT: Q.—What would be the loading on that policy? A.—About 5 per cent. on the premium.

Q.—Would that 5 per cent. carry it? A.—Oh, yes. Our participating rates, according to the list I gave you yesterday, are much lower than the non-participating, much more favorable to the assured. That is the estimate of our actuary. I will give you a copy of the Travellers' rates, if you wish.

MR. TILLEY: Q.—It is not a question of rates. It is a question of the way in which you deal with the application for insurance. You have your rate book in which you give your rates which you issue for a \$5,000 policy? A.—Yes.

Q.—That does not apply to anything less than that? A.—No.

Q.—Or to anything else than non-participating? A.—No.

Q.—Your rate in the book for a non-participating is what your agent tries to get? A.—Yes.

Q.—If he is met by a bid by an agent of some American company on the same kind of policy, you meet that rate? A.—We have very few non-participating policies, except in the city, and where they ask for \$5,000, knowing that other rate will be given at once, they do not wait for the opposition, but probably quote it at once.

Q.—Your agents are authorized to quote an applicant for insurance at a rate less than what is in your rate book? A.—For \$5,000.

Q.—That is a rebate, is it not? A.—Well, yes, I suppose it is a concession for a \$5,000 policy.

Q.—It is something that the applicant for insurance gets, if he is wise, and if he does not get it, he is not wise? A.—He gets it if he takes \$5,000.

Q.—But he must demand it? A.—Since we have issued that we have never issued a policy for \$5,000 at any higher rate.

Q.—That is not because you do not want to try to? A.—Yes, because—

Q.—Is that covered by that general circular to your agents? A.—To our branch managers.

Q.—Have you a copy of it? A.—It is a statement of the premiums enclosed, and the terms on which they will be issued.

Q.—Not covered by any letter? A.—I have not the letter here. I have no doubt I wrote to him at the time.

Q.—Why is not your rate book changed so that all persons would get

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the same? A.—It is expensive work to change the book.

Q.—Is that the only reason? A.—Another reason is that there is no use quoting a man on a case of goods if he can only buy a small portion. There is no use when a man wants a \$1,000 policy that we should show him a \$5,000 rate, when he cannot afford to take that much.

Q.—You think it might affect the insurance with the smaller people? A.—Yes, I think it is a concession that is properly made, and I think it is better to do it that way than by what would be a high rebate. I think it is better to give the policyholders of that class the advantage of the concession.

Q.—But you do not give it unless the policyholder demands it? A.—Yes, that business has been canvassed for regularly.

Q.—Unless some other company is offering the same rate? A.—Knowing in advance that other companies are offering that rate we do not wait to be told.

Q.—Let us have that letter? A.—It is practically as I stated, that on \$5,000 amounts we give those rates, subject to a commission of 10 per cent. and no renewal.

Q.—It just commutes the agents' renewals? A.—Yes.

MR. KENT: Q.—If an agent only has 10 per cent. commission— A.—He gets no other remuneration but 10 per cent. They do not canvass for it much, but we have a class of brokers in Montreal and Toronto, and those are the only two cases of where we do any of that business, and we have only to do it or leave it to the Travellers' to do it, and we consider it is desirable.

MR. TILLEY: Q.—You have to meet the other man and that is the reason for rebate? A.—We have got to meet the other man or go out of business.

MR. KENT: Q.—You have to sell in car load lots? A.—We have to sell in car load lots and give some concession where it is necessary to do it. We make no concession in our participating rates for larger amounts. I think it would be fair to do so.

MR. TILLEY: Q.—The 10 per cent. would be paid in that way to prevent his offering that policy? A.—It is business that he gets easily. A business man gets half a dozen companies to quote him the best rate, and if we do not quote the lowest rate we will not get it.

MR. KENT: Q.—It is for the man who knows what he wants and asks for it? A.—Yes.

Q.—It is not in the window, but he knows it is in the store and asks for it? A.—Yes, that is right.

MR. TILLEY: Q.—When you travel you charge up your actual out of pocket expenses? A.—Yes.

Q.—When the final stock under the new issue was taken, at 160, what date was that subscribed in the year? A.—When was the money paid?

Q.—Yes? A.—The very last items were subscribed and paid the last day of the year.

Q.—By the directors? A.—Principally by the directors.

Q.—Was the stock offered at 160 to all shareholders? A.—Yes, we sent a circular to all our shareholders, and as it was not all taken out I sent a notice to our agents and they took some of it.

Q.—And by arrangement the balance not taken was subscribed at the end of the year? A.—It was not any arrangement.

Q.—It was an arrangement that what was not taken we will take— A.—No such arrangement. The last was taken by Nanton; there was no arrangement about it. I did not know he was going to take it until he did. When he found out there was that much left at the end of the year he sent a cheque for it and that had the effect of cleaning up the whole of it and he paid the same price for it as anybody else.

BY MR. GEARY—

Q.—I observe, Mr. Brock, in this report—there is a matter I just want to satisfy myself of—in this report of 1896, on the face of it and in the statement which you incorporate you show a surplus for policyholders of \$612,000, but you show no liabilities for paid-up capital stock in that statement? A.—The statement shows on the outside of it paid up capital stock, but not in the statement.

Q.—\$250,000? A.—Yes.

Q.—Also surplus to policyholders \$612,000? A.—Yes.

Q.—The \$612,000 must include the capital stock? A.—Yes.

Q.—You call that surplus to policyholders and do not show the liability? A.—When we are making it to stockholders we show that, but we are making it to policyholders we show our liability.

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Q.—You show a balance of surplus of \$362,000? A.—Yes, I think so; that is a surplus for our stockholders.

Q.—That is for your policyholders? A.—Oh, no, excuse me. It is our stockholders. Our policyholders' surplus is exactly as shown here.

Q.—It is a matter of terminology? A.—Oh, no, it is a different thing. If you were a stockholder, the only surplus there would be would be the amount of paid up capital.

Q.—That is unimportant. I want to get at the amount you have outside your capital stock; that is \$362,000? A.—Yes, that is our surplus over and above our capital stock. We use the words that are printed on this statement supplied by the Department.

Q.—Do I understand you to say to Mr. Tilley you could not tell how much of that had been appropriated for your policies? A.—I said none of it had been.

Q.—And none of that had been apportioned to met your dividends up to date? A.—No, I said we were going to have a valuation made by actuaries to give it exactly.

Q.—Your method of book-keeping might show it very easily. You could have an account for each policy for instance? A.—That is an actuarial calculation. We do not keep a separate account for each policyholder.

Q.—Now do you for each class? A.—We do not appropriate the money.

Q.—Your quinquennial sub-division is the only appropriation of profits you make. You make nothing annually? A.—We make it up sometimes—

Q.—You do, in the event of death between two quinquennials pay a sum for profits for the broken period? A.—Yes.

Q.—Outside of your liabilities, as you might call it, for profits under deferred dividend policies is a large surplus desirable in an insurance company? A.—It is a security for the fulfilment of all our contracts.

Q.—Outside of the profits? A.—In the first place it would be divided as profits, but in the event of loss it stands as security to protect policyholders.

Q.—What amount would a company of your size regard as necessary for a buffer between your losses and your capital stock, because the paid up capital stock is a second line of defence which can be called upon to make good losses? A.—It depends entirely upon circumstances. It depends on the rate of interest you are

calculating your reserve on, and what rate of interest you are earning and expecting to earn.

Q.—You think you should have a sum inside of the capital stock and as a protection for your capital stock? A.—Yes, we should not divide the last cent of our surplus.

Q.—Under those circumstances, is there any real necessity for capital stock to be paid up such as you have? A.—There is.

Q.—Outside of the advertising? A.—The advertising is an important thing. It enables us to get our insurance cheaper, and therefore protects everybody connected with the company, policyholder and shareholder alike.

Q.—And not only the man who gets the dividend? A.—No.

Q.—Can you say that at the time of your second issue of stock that it was not present to the minds of those who assisted in this stock that they would be placing their money in a very remunerative way? A.—They objected at two or three meetings to agree to it.

Q.—What was the objection? A.—That they could put up their money to better advantage in real estate in Winnipeg.

Q.—They did not have to put it up? A.—Well, they thought that would be an objection to putting it up, that it would not be likely to be kept, that it would be taken out outside.

Q.—Not to be kept within the circle of the then stockholders? A.—And by the 31st day of December a certain amount was not brought up, and there was no excess demand for it.

Q.—And you still believe that increase was absolutely necessary in the interest of your business? A.—Yes, and the Superintendent of Insurance came up here to explain what he had found amongst the agents, the advantage of strengthening the company among the agents.

Q.—What is your idea of the mutualization of a stock company? A.—After a business man has established a business, that he should give it over to his customers—

Q.—The policyholders have adopted that principle in one of the American companies? A.—Not a mutual life company. It would be an absurd thing in any line of business or professional practice if, after the business or practice is established, that we



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should hand over the proceeds of it to our clients or customers.

Q.—You do not think it would be fair at all? A.—No.

Q.—Not if they got their interest on their money? A.—What would you do with the gain?

Q.—I am not saying what you should do with that? A.—Quite a number of companies fail and lose their money, and therefore I think that is the strongest proof that those who take that risk should have an opportunity of making some profit for the risk, and I think that having stock is a very important matter for a company, because there are parties who are interested to see that the business is properly managed. It is not a question of the management securing proxies from policyholders and entrenching themselves in a position until some catastrophe occurs, possibly when the shareholder might be called upon, but every year the stockholders meet to elect directors, the directors meet every week to manage the company's affairs, and they have not only their money actually invested, but they have a liability upon their unpaid stock. By any bad management they might lose the whole thing.

Q.—Are you able to say your non-profit policies have carried themselves? A.—Yes; our business has proved that.

Q.—What is the loading on the non-participating? A.—Three and a half per cent.

Q.—And what is the loading on the with-profit policy? A.—20 to 22½ per cent.

Q.—Including the constant? A.—Yes.

Q.—The participating business does not cost you any more to carry after it has once been obtained than the non-participating? A.—Oh, yes, the expense of investing the surplus funds—

Q.—That would be a small amount? A.—Yes.

Q.—Outside of that there would be nothing? A.—No.

Q.—And your loading including both classes of policies is far more than eaten up in this year for expenses?

A.—That is an absurd statement, because you have to take the future earnings on that business. We load the premium for the whole duration of the policy, and we are relying on those continuing.

Q.—In the meantime there is an advance out of general funds to pay expenses— A.—Out of some fund or

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other there is an advance which is ultimately repaid out of the reloading. The *Star* newspaper sends out a man to take subscribers. It costs the whole year's subscription to get the subscribers, and he is counting on getting back his expenses from the continued subscriptions.

Q.—Take a series of years and you are that much behind in each month and that becomes a permanent matter? A.—Yes; it depends on the amount of new business you are getting.

Q.—You have not got to the stage yet when the renewal business is far more than counterbalancing the new business? A.—Oh, yes, our circular shows that.

Q.—The renewal business does not counterbalance the first year's business to the extent of reducing your ratio of expense, because your ratio of expense has run up? A.—It has come down from what it was.

Q.—It has not come down in the last three years? A.—Because we have increased our business in the last three years.

Q.—Can you tell what you will get to a point when your renewal business so far counterbalances your first year business so as to— A.—So long as we keep increasing our business, as we continue the old, the same ratio will continue; taking the ratio of total expense to total income is unfair, and answers no good purpose. The Equitable, of England, has no shareholders, and does not employ any canvassers, and one would imagine that they would give very cheap insurance, but I have just looked up the matter within a few days, and I find where we charge an amount age 21 \$16.59, the old Equitable, 140 years old in London, charges the sum of \$21.75.

Q.—Go on with that. You had something to say? A.—I was going to say in regard to bonuses, that their bonus additions at the end of five and ten years are less than ours; consequently the premium of \$21.75 returns a less profit to policyholders than the premium is \$16.59 and the question is how we account for it.

Q.—Give us the reason? A.—The reasons are that those who seek life insurance are not as good risks as the class who are sought through the country by our agents. We get the best selection of risks through our agents. They won't canvass a bad risk. He will be turned down, and we

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select a better class of risk where the business is sought than where it is allowed to come into the office.

MR. LE BEUF: Q.—That is provided your agents are conscientious men?

A.—Yes. If we have a dishonest agent or a dishonest doctor, we might have bad risks brought in, but there are a good many ways of checking those; between death and payment we are able to satisfy ourselves.

MR. GEARY: Q.—What check on those adverse selections would the exercise of a proper degree of care on the part of the officers have? A.—If all the risks you have presented to you are a poor class, you may select with care, but you will get a bad average.

Q.—But conscientious officers in a company can avoid that selection which would come unsolicited? A.—To a certain extent.

Q.—What effect would that have on your argument? A.—Well, that they do not make as careful a selection as the companies do who are able to go out after their business and select their business.

Q.—Have you any results to show that? A.—I was showing the results. The proof of the pudding is in the eating.

Q.—They apparently have about the same mortality rate that you have? A.—I do not think so.

Q.—68 per cent. of the expected mortality? A.—Yes, but ours only runs about 37 per cent. of the expected on the table they use.

Q.—Explain that? A.—We use a different table altogether where the saving in mortality for the first ten years is entirely eliminated, and our expectation is that we will have a much lower death rate than the H. M. table that they use, and which has been used in the profit and loss exhibit.

Q.—So the fact that their percentage of actual mortality to expected equals yours is accounted for— A.—It does not equal ours.

Q.—It is accounted for by the fact that a different table is used? A.—Yes.

Q.—You are carrying your reserve on business written prior to 1900 on the same basis as you always have? A.—Yes, prior to 1900.

MR. TILLEY: There is a change in the table.

WITNESS: We have made no change in our business prior to 1900.

All our business is on  $3\frac{1}{2}$  H.M. and our old business 4 per cent.

MR. GEARY: Q.—That table is equal, if I am correct, to somewhere between 4 and  $4\frac{1}{2}$  H.M.?

MR. JARDINE: It is between  $3\frac{1}{2}$  and 4.

A.—There is very little difference. There is a very trifling difference. Mr. Blackadar told me in one instance it went two per cent. one way, and the other instance it went one per cent. the other way.

Q.—What provision are you making against the change in reserve that you will be required to make? A.—We will have to reduce it to  $3\frac{1}{2}$ .

Q.—In 1915 is the first change you will have to make? A.—We will probably reduce it all to  $3\frac{1}{2}$  if we make a change.

Q.—That has to be reduced in 1915? A.—No, we consider we have made division enough.

Q.—Your deferred dividend premiums will absorb most of your surplus? A.—No, it will be made out of future profits.

Q.—Is it not included in your actual surplus to-day? A.—No.

Q.—You can make provision for that out of future profits? A.—Yes.

Q.—Have you made any calculation as to what will be required?

MR. JARDINE: Have we made any estimate showing what amount we will have to change in 1915?

MR. GEARY: What amount you will have to add?

MR. JARDINE: It will be very small.

MR. GEARY: And you think there is no necessity for making provision for it at the present moment?

MR. JARDINE: The actuary's 4 per cent. will approach closely to the H.M. 3.

WITNESS: At the present period all rates are equal and as you approach that period they are getting closer together.

MR. GEARY: Q.—Did you take part in the agitation when that legislation of 1899 and 1900 was passed? A.—I took no part in it. I was not present at any meeting.

Q.—Did you favor the proposition to reduce it? A.—No.

Q.—What do you know about the result of the passing of it? A.—Nothing.

Q.—Did you take in any meetings? A.—No.

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Q.—Did you have any correspondence with any of the eastern officers in regard to it? A.—No, I took no part in it at all.

Q.—Did not appear before the House Committee? A.—No.

Q.—Your opinion was what? A.—That the reserves that the companies are required to put up are higher than absolutely necessary.

Q.—And that there was no necessity for a drastic change? A.—No necessity for changing the reserves on the old basis and making it more than 4½. It should have been allowed to run out on that basis.

Q.—You have no first common knowledge of how that came about? A.—No.

Q.—Can you suggest any reason why any company should desire the change? A.—Yes. Some companies got the opinion of actuaries, and the opinion was that the rate of interest was going down to 3 per cent., and they had better be prepared for it, and I think it was the New York Life published a symposium of the opinion of actuaries and financiers; I have no doubt it was circulated among our financial people, and they were told they should be prepared for a rate of 3½, and from that year the rate has gone up, and it has been going up ever since.

Q.—It might operate in favor of a company having so much funds on hand that they earned a low rate of interest? A.—It could not work favorable on a company earning a low rate of interest. It is not the assumed rate of interest, but it is the actual rate of interest earned. It does not make a bit of difference what rate you may assume making your reserves. It depends on what you do earn by your investments.

MR. LANGMUIR: Q.—You will have the best showing of any other company in that respect? A.—Yes, we earned a higher rate of interest of any company doing business here or elsewhere.

MR. KENT: Q.—That is because you are better situated than any other company? A.—That is why we made our headquarters in Winnipeg. We were advised to go to Toronto and do business there, but we intended to make our business here, and we thought it was advantageous to have our Board of Directors living here. There are some companies with in-

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vestments here of nearly \$10,000,000 in the west. In the district in which we invest I think the Canada Permanent Mortgage Corporation have at the present time about \$10,000,000 in Manitoba, Saskatchewan, Alberta and the west.

MR. GEARY: Q.—You can invest all your moneys with perfect safety? A.—Yes.

Q.—Are your medical fees, and so on, ever applied on payment of fees on policies? A.—You mean, do the doctors use what they earn to pay their premiums?

Q.—No, that is no one's business but their own. Did you ever make an arrangement in appointing a medical examiner that he should apply his medical fees on premiums? A.—We had an instance in which the doctor told us the agent told him he would bring enough examinations to pay the premium, but he had signed a note as premium, and we made him pay it.

MR. TILLEY: That would be a personal matter between him and the agent.

MR. GEARY: Q.—I am speaking of the Head Office? A.—The Head Office never did anything of the kind.

BY MR. LE BEUF—

Q.—Who names your agents? A.—The final decision rests with myself.

Q.—And the sub-agents are named by your agents? A.—They are recommended to us by our Inspector or branch office manager, and if his recommendation is approved the contract is completed. We do not recognize any agent unless he has a contract with us.

Q.—Do you make any enquiries as to their conduct or habits, or get any certificate as to what kind of people the agents are? A.—Yes, we make them give us their previous experience and the names of their employers and references, and we never make a contract without referring to those references.

Q.—Have you found the sub-agents are not proper parties to carry on the business? A.—We have discovered some of them are not suitable men, and we have got rid of them, but they have been always well recommended to us by some responsible people before we appoint them.

Q.—What do you think of the idea of having them incorporated as an ordinary corporation, so that the sub-



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agents would have to go through certain examinations before they would be admitted? A.—I think if we put any further restrictions before admitting agents, we might as well decide that the insurance business was not to be favored by the State, and we might as well close it up.

Q.—Don't you think it would result in a better class of sub-agents? A.—A great many respectable men go into the life insurance business, not as a permanent business, but as a stock-yard until they can find some other employment. The life of an insurance agent is not looked upon as an easy life. It is a hard life.

Q.—Don't you think the sub-agents and those that induce the public to take insurance do so by telling them all kinds of falsehoods and insinuations of all kinds to get them to take policies; and they find when the policies have been issued that they have been misled and they drop it? A.—I think that is true in every calling in life, and not to a greater extent in life insurance than any other line of business. I think human nature is much the same, whether the man is in the insurance business, or any other business. As soon as you get acquainted with any line of business you will find their troubles, and they have to deal with that class of misrepresentation. I think as a class the life insurance class will compare favorably, because they have to be educated and to meet business people. I think they would compare favorably with any other class.

Q.—Our experience as lawyers shows us that most of the litigation has been caused by sub-agents who are making all kinds of misrepresentation? A.—Mr. Jardine suggests that that is according to the man's story, that he suggests when he wants to get out of a bargain that he thinks he recollects certain things were told him. You are taking out a policy and the agent tells you all the different classes of insurance, and a year after you have signed the application if you cannot fulfil the obligation you may think all the conditions of all the policies he told you about are included in this one. We have had very little trouble as to misrepresentation.

Q.—But look at the large amount of insurance policies that were issued by you by the millions and dropped. Don't you think that most of those insurance policies were dropped by the insurance men or the policyholders

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just because they found out they had been misrepresented? A.—I do not believe two per cent. of them are alleged to be dropped on that account, and of that two per cent. probably the allegation would not prove to be correct in at least half the cases. I believe there is very little lapse on account of misrepresentation. We follow it up very carefully with people who drop their policies, and try to find out their final reasons, and very very few of them are on account of misrepresentation. They are nearly all because they have lost their situation. They find they are unable to continue the insurance. They have an opportunity of making an investment in real estate, and they have decided there is more profit in it, and we sift out the reasons carefully, and in many instances the party will write us and say that "While I am unable to carry insurance at the present time I will take insurance as soon as I can afford to do it," and many of them do.

Q.—You have agents and sub-agents in the Province of Quebec? A.—Yes.

Q.—Are you aware that some of them only speak one language in Quebec? A.—Yes, that is so, and as a rule, of course, they do not attempt to do business.

Q.—Are you sure they do not attempt to do business? A.—Without an interpreter.

Q.—I think you will find your English agents will go to French people, who do not speak a word of English and get them to sign the application and turn them over to you and— A.—Our applications are all in French and our policies are all in French, and our literature is all in French, and our accountant and cashier and inspector are all Frenchmen. We are a French company, practically, in Quebec. Our largest portion of business is done there with the French, and I do not think that applies to us at all.

Q.—I do not think it does to you any more than to others? A.—We make it our business to see the people we do business with thoroughly understand what they are getting. Our payments have been the best of any province in the Dominion, and our ratio of lapses have been as small as any other Province in the Dominion. We have a splendid business there, and we continue to cultivate it. We find it very satisfactory. The only thing is that we do object to the Province

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of Quebec making us tax gatherers. I might perhaps mention that; they may not appreciate the fact that they are charging us fifteen times as much to do business as any other business concern. They are charging us  $1\frac{1}{4}$  per cent. upon our gross income, whereas other institutions are charged upon their net income not even to the same percentage. The same thing applies in Ontario and the other provinces, and it is one of the points that I am glad to make this reference to. It is one item beyond our control, but we do not object to being made tax gatherers, and still we are told it is an expense of the company.

Q.—Still you admit you make a fine business, in spite of all the taxes? A.—Nearly all the companies that have been started since we started have lost a considerable share of their capital stock and are not doing a fine business or making money. Our extra interest earning power has assisted us very materially in spite of expenses which we consider are in various ways more than they should be.

Q.—Don't you pay more than that in some of the States? A.—We have never done any business in the States. We are just opening in the States; we are opening in Dakota, but in the States it is higher than that paid by any other class of the community, and it has been objected to.

(Adjourned till 3 P.M.)

#### AFTERNOON SESSION.

JEFFREY HALL BROCK—Examination by Mr. Tilley resumed—

Q.—Mr. Brock, you have given us some policy records asked for, including policy 28,407, issued on the twenty payment life plan. That was a policy for how much? \$10,000, was it not? A.—Yes, \$10,000.

Q.—Now, is that policy issued according to your regular rate for insurance and with uniform privileges and conditions of other policies on the same plan? A.—It is issued in accordance with the rates at which we have handed in our schedule, policies of \$5,000 or more.

Q.—That is to say, it comes within the class that you have— A.—Special non-participating policies.

Q.—Over \$5,000? A.—Yes.

Q.—Is that on one life or two lives? A.—Joint life policy, two lives.

Q.—The premium on that was how much? A.—\$499.

Q.—Will you tell me what your premium would be according to your ordinary rate? A.—\$50.45 per thousand.

Q.—That would be \$50.45 per thousand? A.—Yes.

Q.—Then you charge \$49.90 per thousand? A.—\$49.90 per thousand.

Q.—That is less than  $3\frac{1}{4}$  per cent. net premium, is it not? A.—No, it is slightly over. It is based upon the American  $3\frac{1}{4}$ ; it is the H.M.  $3\frac{1}{4}$ —I do not know from memory.

Q.—I understand the H.M.  $3\frac{1}{4}$  joint life twenty payment premium, same age, would be \$51.90? A.—Yes.

Q.—That would be net? A.—Yes.

Q.—Without any loading? A.—It is just loaded a trifling amount.

Q.—Or is \$49.90 less than the net premium? A.—Less than the H.M.  $3\frac{1}{4}$ ; that is the basis on which we value. It is not the basis on which any of the companies fix their premiums for non-participating.

Q.—It is the basis on which the Government fix their valuation? A.—For reserve purposes, but not for fixing the premiums.

Q.—That policy came to be issued as the result of this special arrangement you made in order to meet competition, as you say? A.—Yes.

Q.—Did you say that that was as the result of competition with one company, or with American companies taken as a whole? A.—With one particular company more particularly. I might say that at that rate it is with the Travellers' of Hartford.

Q.—How did the Travellers' of Hartford issue that rate? Was it in their regular rate book? A.—No, they issue it. It is not printed in their rate book at all. It is circulated in a few special cases, and subject to a commission of 10 per cent., and issued in policies of \$5,000, according to their schedule B. for special policies.

Q.—Then the information regarding it is supplied by a separate pamphlet? A.—Yes.

Q.—Do you know that to be the fact? A.—I know that to be the fact.

Q.—That is not just an excuse for what you did; that was the condition of affairs that actually existed? A.—Yes.

Q.—Did you meet that on more than one occasion? A.—Oh, yes, on a number of occasions before we got to it. I had been down to New York to find

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out if they were really issuing those rates. I investigated and spent some money, and succeeded finally in getting their rates, and all the information about it

Q.—Is that a copy of the rates at which you found they were issuing that policy? A.—That is a copy of the rates at which they were issuing that policy.

Q.—And then you issued this special rate to meet that? A.—Yes.

MR. TILLEY: I will attach those together as one exhibit, which will be numbered 406. Did you issue your schedule privately in somewhat the same way as you understood the Travellers' had done? A.—Yes.

Q.—Without putting it in your rate book, but sending it to your agents? A.—Yes, to our offices in Toronto and Montreal, to our agencies there.

Q.—Only to Toronto and Montreal? A.—And eastern offices, I should have said, Halifax, St. John, Toronto and Montreal, because we met the Travellers' in those places.

Q.—And not any other place so much? A.—We have not had our attention called to it. They may have done business in some other places, but we have not from our agents or otherwise found out they were issuing that private tariff.

Q.—What commission do you say you paid on that? A.—Ten per cent. without any renewal.

Q.—And you have given now a copy of the circular letters that you issued in connection with it, and I see that in those letters you state that "In ordinary cases of brokers, the highest commission we can pay is 10 per cent. In no instance nor under any circumstances will we exceed a twenty per cent commission, and this is only to be allowed in very special cases. This 20 per cent. is not to be made the general rule, or the rates will be withdrawn. No renewal premiums are to be paid on this plan?" A.—What is the date of that?

Q.—January 11th, 1906. this year? A.—This was our first effort to have it based upon the O.M. 3½.

Q.—You saw the letter I have read from applied to a first schedule that you sent out? A.—Yes.

Q.—Which was on a higher basis on the O.M. 3½? A.—Yes.

Q.—And in that case you did allow a little discretion between 10 and 20 per cent. commission? A.—Yes.

Q.—And on February 13th you issued this schedule which has been re-

ferred to? A.—No. We have never allowed over 10 per cent. on that schedule.

Q.—Do you say this letter I have read from does not refer to this schedule? A.—I would not like to say it does not. That may have been issued in mistake, but the only place where we did any business was through the Toronto and Hamilton offices, and there we have allowed absolutely a commission of 10 per cent. only.

Q.—This letter is written to Halifax and refers to rate schedule number 2, so that this must have gone down to Halifax? A.—Yes.

Q.—And there you allowed apparently 10 to 20? A.—Yes; we have never done any business there.

Q.—But the rate of commission was a little higher down there than in Toronto or Hamilton? A.—That was written to agents who were not brokers.

Q.—February 13th you say again "The 20 per cent. commission on schedule 2 premiums is only to be allowed to our own agents under very exceptional circumstances. The regular commission is to be 10 per cent. This 10 per cent. is the highest we will pay to brokers or outside agencies," etc. But apparently to your own agents you would give 20 per cent. under some circumstances? A.—That was apparently the idea. I will have to look into that.

Q.—Would that pay the company on that basis? A.—Yes, it would.

Q.—You think even on a lower rate than the net premium without any loading at all— A.—The rate is still higher than the company has paid by our participating policyholders, who have been in ten years on the same plan.

Q.—Then the surrender value on that policy guaranteed cash value at the end of 20 years is how much money? A.—\$799.

Q.—Per \$1,000? A.—Yes.

Q.—That is \$7,900 cash? A.—For \$10,000.

Q.—Where did you get that cash value? A.—That is the reserve on the H.M. 3½; it is the amount we have reserved.

Q.—Is that the reserve you would give on the ordinary policy? A.—Yes, the same reserve.

Q.—That is the same reserve you would give at the rate of premium in your rate book? A.—Yes.



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Q.—How is it those are put in here as special clauses? A.—Because these are not participating—no; you see that is blank underneath it, and we placed those in. In the blank we only provided for certain intervening years. They asked us to put it in every year.

Q.—That is not any different in amount than you would have inserted had you got your regular premium? A.—No.

Q.—So that you are giving him the same cash surrender value at the end of 20 years as if he had paid the full premium? A.—Yes.

Q.—The net single premium based on the H.M. 3½ at the end of that time to sustain the policy would be \$7,871.20, and this is \$7,990? A.—At the H.M. 3½ this is—

MR. JARDINE: \$7,990.

MR. TILLEY: Is that the H.M. 3½ net?

MR. JARDINE: Yes.

MR. TILLEY: Because my information is that H.M. net would be \$7,891.20.

MR. JARDINE: That might arise because they might have taken the joint age.

WITNESS: We have taken 56 as the equivalent age.

MR. TILLEY: Q.—You have taken 46? A.—No, 56.

Q.—This 41 and 49? A.—Well, the equivalent age for two lives is 56. We take the equivalent age; they may have possibly taken 55.

Q.—Then you give another copy of policy number 29,512 for \$5,000. Is that on the same principle? A.—Yes.

Q.—There is nothing that distinguishes that from the others; just a \$5,000 policy issued on that special rate, as you said at first, only it is a different age and therefore a different amount? A.—Yes.

Q.—That is discrimination, is it not, Mr. Brock, of as evil a kind as rebating, is it not? A.—No, I do not think so.

Q.—It was very wrong in the Travellers' was it not? A.—It was very unpleasant having another company quoting a lower rate.

Q.—But it was unjust discrimination on the part of the Travellers'? A.—Well, I do not think so.

Q.—You think the Travellers' were justified and that it was proper? A.—I think so, where they confine it to a ten per cent. commission.

Q.—To give a rate book showing their rates for policies and then a private memo. of smaller rates that

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the ordinary person insuring knows nothing about unless he gets— A.—Yes, where there is a limit made and the policy issued as this is, I think there might reasonably be a concession made on larger rates.

Q.—Why not show it in your rate books? A.—I think it would be a good idea.

Q.—Is it not a case of unjust discrimination to give that pamphlet separate from your regular book, so that every person has his choice which plan he shall adopt? A.—I think it is desirable it should be punished.

Q.—If the insured had his choice, of course he would take that cheaper plan? A.—Unquestionably.

Q.—So that you are issuing in your rate book one price and giving your agent confidential information about a cheaper price he can quote? A.—In this case it was a temporary experiment, and we hope the Travellers' will withdraw that schedule.

Q.—I should like to get your view as to the propriety of that to the insuring public? A.—I think it is not fair.

Q.—Then it is unjust discrimination? A.—I believe so.

Q.—And it is just as unfair in your company as it was in the first company? A.—Yes.

Q.—Two wrongs do not make a right? A.—No. It is a question of meeting competition.

Q.—If that excuse was to prevail, it would apply to every case of rebating? A.—No, it would not.

Q.—Why not? A.—The commission limit—

Q.—It is to meet competition? A.—It is a question of how far you can go to meet competition. It is a question of drawing the line. We would feel, for instance, that we could not properly quote a rate lower than the rate we are giving to our participating policyholders after applying their dividends.

Q.—What is the difference between giving a man who is asking for a cheaper price than what is in the rate book—what is the difference between giving him a cheaper premium and giving him a little bonus at the time he is taking the policy out in the first place? As far as the principle goes what is the difference? A.—The difference is this: that is best to sell in larger quantities at a lower rate.

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Q.—I am talking from the standpoint of rebating. All you insurance people are down on rebating? A.—Yes, yes.

Q.—You are sincere about it? A.—I do not see that you can apply rebating. It is easy to say that.

Q.—I am asking if there is any distinction between this transaction and the transaction where I go to a man who is going to take out a policy, and I say "I will give you a third off my first commission?" A.—That is a very different thing.

Q.—Where is the difference? It goes to the insurer? A.—In one case it is a clear discrimination where there is no difference in the circumstances, and in the other case it is a discrimination where you are giving a lower price for a larger quantity of goods.

Q.—You are only giving that where he knows about it and asks for it? A.—It is quoted to those who are asking for a \$5,000 policy.

Q.—The agent will quote him the rate in the book, because he will get a better commission if he gets a better price? A.—Your idea is now, I understand, that both should be printed and the terms upon which they are issued.

Q.—I should think so, or else it is a rebate, because it is giving one man something— A.—It is not rebate as it is ordinarily understood.

Q.—Probably not; it is an improvement on the rebate? (No answer.)

MR. KENT: Q.—The question is, is it not just as wrong when the Great West Life does something wrong as if the Travellers' did it? The Travellers' is another company and going to do something which that company should not do. It is something that is wrong, something which is frowned upon by every manager that we have examined. "To prevent that company doing something wrong I will do it myself, so that the benefit, if benefit there is, goes to me and not to the other party." It seems to me that is how the matter stands? A.—Yes. Well, then, it would simply mean, of course, that we have got to leave the business in these two large cities to the Travellers', or else we have got to reduce our rates for \$1,000 all over Canada. I do not agree with it as a business proposition.

Q.—It is fighting the devil with fire? A.—It is like the dry goods business. You have to sell your goods under cost sometimes, so as not to allow your business to be taken away

from you. I do not believe we should see the best class of policyholders in Montreal and Toronto placed in the position that they must go to an American company to get insurance at rates that we can afford to give it to them for. My idea would be that if it is necessary to continue quoting this rate we will put it in our manual. If the lower rate is necessary we will quote it and put it in our manual, and I think we can afford to sell life insurance just as well as any company in the world, and we propose to do it, and if it is necessary to cut those rates still further we intend to do it, to meet opposition, and we will put it in our manual in the regular way, but our idea is that we can make the Travellers' tired of issuing that rate, and force them to withdraw. If they quote it and do not get the business, and are injuring their other rates, I think we can compel them gradually to withdraw. The same thing has been done by some of the other companies that I know of, and I commend them for it. I think it is quite justifiable.

Q.—How do you indicate in your rate book the loan value on a policy? Do you show it after the next annual premium is paid, or when the last one was paid? A.—After the next premium is paid.

Q.—Just turn up your book and tell me how that is shown? A.—It is the twenty payment life, page 52.

Q.—There at age 21 the loan value would be what? A.—At age 21, after two years—that is after the third premium is paid—it would be \$37. After the fourth premium is paid—that is after three years—\$50; that is the plan that has been accepted by almost all of the companies now. We used to do it differently, but we found that it did not fit in.

Q.—Supposing I was a policyholder in your company and came to you to get a loan on my policy to-day, would I be compelled to pay another premium before I could get a loan? A.—It depends how long your policy has been in force.

Q.—Say it has been in force ten years? A.—Then you have paid your eleventh premium.

Q.—The premium is being paid in advance, and I have paid my tenth premium? A.—You have paid your eleventh premium, if it has been in force ten years.

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Q.—Supposing I have paid ten premiums in advance, and having reached the eleventh premium? A.—The loan value is \$199 at that stage—no, that is wrong; after ten years means that you are in the eleventh year.

Q.—I want to take the actual fact. I have paid my tenth premium, and I have not yet paid my eleventh, and it is not yet due? A.—Let us take the eleventh.

Q.—Then I have paid my eleventh and have not yet paid my twelfth? A.—Then it is after the tenth year and before the eleventh; page 54 at age 21, \$199.

Q.—That is the loan value after I have paid my eleventh premium? A.—Yes, you are after your tenth year.

Q.—If I had applied between my tenth and eleventh payment I could not get \$199? A.—No, you would get it after the ninth year.

Q.—I must pay the next premium in order to get what is shown here in each case? A.—No, not the next premium. Remember your eleventh premium is due at the end of the tenth year. The companies have tried a number of different ways to avoid misunderstanding, and they have found this to be the clearest now.

Q.—Does it not indicate a higher loan value than I will really get, because you are giving me the loan value as it would be paying the next premium? A.—We have to distinguish. Your premium must be paid by your eleventh year if you are after your tenth year, and it is just showing what the position is, and must be; there is thirty days' grace that complicates it, and if a man comes in during that time it complicates it. There is not a provision for each period of the year, and we must have one arrangement to suit all periods of the year. Now, at any time from the day after the tenth year to the day before the eleventh year this is the amount of the loan value.

Q.—What is the value? A.—\$199 from the day after the end of the tenth year to the day before the end of that year, any time.

Q.—What you say is that after ten years I get \$199? A.—Yes.

Q.—But that means that I have paid my eleventh premium? A.—Yes.

Q.—Does not the person who is taking out the insurance, when he sees "After ten years \$199," not say to himself "After ten years I have the right to that?" A.—It means after the expiration of ten years.

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Q.—It is a pity it is not in the rate book that way? A.—We will show an estimate form.

Q.—Will you go this far with me, that the layman when told that after ten years he gets a certain loan value, that he regards that as after he has paid ten premiums? A.—No, because he always knows his premium is paid in advance.

Q.—He knows after ten years means after he has paid eleven premiums? A.—Yes.

Q.—Other companies, when they say ten years, mean ten premiums paid? A.—Do you know one?

Q.—I am asking you? A.—No. Some of the companies used to say "During the tenth year." Well, that would mean after the tenth premium had been paid.

Q.—You say after ten years means after eleven premiums have been paid? A.—Yes, it is clearly so. It is not during the ten years; if it is after the ten years, and it seems to be clearer, and it is being practically adopted, but I notice that whatever they may say, the Handy Guide puts it that way in all companies.

Q.—That is the book that gives you the rate for all companies. It is just a question whether that is understood by the insuring public? A.—If it is well known the premiums are payable in advance—

Q.—It is put much clearer in your policy, which is a contract? A.—That probably is right.

Q.—That is the formation on which the man gets the insurance; the policy is something which comes afterwards? A.—No, we give an estimate form, a slip, in which it is made just as clear as it is in the policy. This is just the Agents' Manual. He understands it, and he can fill out those slips from it.

Q.—Now, without reflecting at all on your acting actuary at the Home Office, don't you think a company of the size of the Great West ought to have a full fledged actuary, and not be compelled to go to the United States and submit some figures to a man there, and have him verbally or by letter say "Go ahead, that is all right; pay those dividends?" A.—We intend to do that ultimately, but there is not such a thing in Canada to-day.

Q.—What do you mean by ultimately? O.—Oh, well, within a few years.

Q.—I do not suppose Mr. Jardine will object if I say somebody who is capable of handling the whole act-



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uarial subject? A.—Mr. Jardine does not intend to handle the actuarial department, but we do not want to get an amateur, somebody who perhaps has passed an examination, but who is like the newly fledged lawyer; you would not care to trust him with an important case. We want somebody with experience, and to get somebody with a name, and whose name will stand well would cost a lot of money.

Q.—But the Great West can pay good salaries? A.—Well, probably we have enough judgment to know where to pay our money.

Q.—The Great West has reached a good enough stage, with 12 per cent. interest and bonuses, to pay an actuary? A.—When we get a suitable man. We have a few applications before us just now, and we have asked the advice of Mr. Blackadar, of the Department, and several others, to give us the names of suitable people, and we are considering the matter. Of course we were told that we ought to have an actuary right at the beginning. Well, we could not afford it. We were told we ought to have a building of our own at the beginning, to advertise the company. We could not afford it. We were told we should have more officials, that we have to do the special work of two or three officials, but we could not afford it.

Q.—Does anybody revise his reports for publication? I see he made a report to you on February 2nd, this year, and you printed it, and apparently the printed report is not quite the same as the typewritten one which he has sent in? A.—Yes, we referred the letter back to him to take out part of it.

Q.—It seems to be struck out as if struck out in the office? A.—Yes; we asked his consent to make those changes.

Q.—By letter? A.—Yes.

Q.—We have not that correspondence here? A.—Did you ask for that?

Q.—The whole file is here; can you show that? A.—I think it is a mere trifling change.

Q.—Why was the change made? A.—In the first place there was a verbal statement that was not correct. You see the amount of business in force was not correct. The amount of business in force was over \$1,000,000, and it says it was increased over 15 per cent., and that was not correctly stated.

Q.—Did he understate it or overstate it? A.—I think he understated it.

Q.—In making a correction of that kind you would not need to communicate with him? A.—Well, I thought it proper to do so, and I did so as a matter of fact.

Q.—Do you get two reports from him, one to print and one for your own guidance? A.—The only report we got from him is immediately communicated to the Board, and usually the directors print it in the annual report. Of course we get lots of letters from him about various subjects. We are writing to him constantly.

Q.—Does he compute or check your reserve fund every time? A.—Every year but this year. This year we got the Superintendent's office to do it for us, as Standon was moving from New York to some place and could not do it, so we got the report of the department instead. We asked the department to make it a little earlier for us.

Q.—Then you have gone through the contracts with the other sub-agents under Mr. Matson, have you not? A.—Yes.

Q.—And there is no reference there to the payment of a special commission on policies out of any particular company into your company? A.—No.

Q.—And I understand you to say that there is no arrangement made with Mr. Matson subsequent to the correspondence you gave me this morning? A.—No.

Q.—That shows the final result? A.—Yes.

Q.—But combining that with the statement you made yesterday, that was initiated with the idea of giving him the ten per cent. on the National business? A.—I think that letter he writes there expresses that, as you read it this morning.

Q.—He does not put it quite that way, but your recollection is clear about that? A.—It was his loss—

Q.—The first idea was to give him the ten per cent. on the National business only? A.—That is what he asked, only on one plan on which our rate is lower than the other companies, he refers to it again.

Q.—On which plan? A.—On the twenty payment plan he thinks we ought to give him the same.

Q.—On which plan? A.—On the should give him the ten per cent. on National policies that passed into your company? A.—That was it.

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Q.—And it grew from that to ten per cent. on the whole? A.—Yes.

Q.—Can you say whether Mr. Matson allows his agent or one of the agents there in getting policies at the present time ten per cent. on National Agency policies that go into your company? A.—No, I cannot. I can only say there is a great deal of bitterness by Matson on account of his father being manager of the National.

Q.—And that would be the animus? A.—And he would try and take the business away from that company.

Q.—And you think he would rather anticipate that his agents would get ten per cent. on those policies? A.—I think so.

Q.—One other matter that you were to clear up, and that was as to the length of time for which Mr. Spur was paid by your company, and I see in the correspondence that you have submitted— A.—Here is the form.

Q.—You produce a memo. on the form, a statement that you hand to any person that you are soliciting business from? A.—Yes.

Q.—I suppose that is only done where he wants the figures in black and white? A.—Yes.

Q.—Then you put at the top of that “After this policy has been in force two full years, if premium is duly paid,” etc. (Reads.) Then you set out the paid up term, paid up values, and at the bottom you have “Loan values same as above, interest being paid in advance?” A.—Yes.

Q.—Where this slip is furnished to the applicant, it indicates to him that is the next anniversary? A.—Yes, it indicates to him where he asks for loan values. If he does not ask for that—and not one in ten do—the question does not come up.

Q.—Mr. Spur made his claim for compensation— A.—Mr. Jardine tells me he asked for \$100 a month.

Q.—And that would commence from— A.—From the time the agreement was signed.

Q.—At once he would become chairman of your Provincial Board? A.—Yes.

Q.—And you paid him subsequently \$500? A.—Yes.

Q.—And that was in connection with his services in that regard? A.—In full of all his services up to the date of payment.

Q.—He refused to take it? A.—He finally took it. He threatened to sue it, but we told him that was all

we considered his services were worth, and we paid him that amount.

Q.—I think he made a claim for remuneration and you refused to consider it until the transfer was complete, did you not, at first? A.—I do not remember that at all. It was a question of the services actually rendered to the Great West Life in connection with our business; that is all we considered.

MR. TILLEY: Do you remember about that, Mr. Jardine?

MR. JARDINE: No, sir, I do not.

WITNESS: It is nearly 12 years ago, and I would be very glad to look it up.

MR. TILLEY: Q.—On the 21st October, 1895, in the Finance Committee “Moved by W. B. Scarth, seconded by R. T. Riley, that the sum of \$500 be paid to J. D. W. Spur as compensation for services in connection with the New Brunswick agency and D.S.F.A. transfer in addition to the regular transfer.” So that the \$500 was to cover his services in connection with the transfer? A.—So far as the Great West Life had anything to do with the transfer. There was a part of the work we were to do and a part of the work they were to do, and that \$500 was to cover any work we had to do.

Q.—And you were to get the policies transferred, they assisting you? A.—Yes.

Q.—You have given a memo. which I would like to put in as an exhibit. But before I do that, is that the premium income for Manitoba? A.—This is the premium income for Manitoba of all companies.

Q.—You have not totalled it? A.—No.

Q.—Probably it is not necessary to put it in; but a provision in Manitoba as to taxing companies is the same as the provision in Ontario? A.—Yes.

Q.—One per cent. of the gross premium income? A.—One per cent. on the gross premium income, and in case of companies where the one per cent. is not equal to \$200 they have to pay \$200 at least.

Q.—A lump sum of \$200? A.—Yes.

Q.—Then I was asking you for some idea of what an ordinary canvassing agent might expect to receive, and could you fix a sort of minimum and maximum figure that might be indicative of an ordinary insurance agent's commission? A.—The earnings ran

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from \$600 a year, to probably say \$150 a month or \$1,800 a year. They will vary in different years.

Q.—Any rebates he allows will come out of that? A.—Yes. That covers his ordinary travelling expenses. I have made up a statement showing a fair sample case in our opinion of one period, over a period of 12 years, and I have put that in for the purpose of showing that, at the commissions paid, which are considered high commissions, the net income of a man of good ability who works hard earns is not excessive.

Q.—Do you have to pay your country agents more commission than your city agents? A.—No, they do not get any more, but I am inclined to think they should, and still that would not always follow, because sometimes the competition is very keen in the city in some places. It is a difficult matter to regulate.

Q.—Do you say there was something else you wanted to say about Mr. Spur? A.—I have just this memo. Mr. Young reminds me that Mr. Spur used to come to the office every day, and we had the advantage of his knowledge for consideration in connection with new business.

Q.—He was chairman of the provincial Board? A.—Yes.

Q.—Do your Provincial Boards in any way share in the commissions on policies issued in your district? A.—No.

Q.—They are more for local information? A.—They would more properly be called Boards of reference.

Q.—It is no scheme by which they, being the first insurers in the district, get more interest than any other policies? A.—No.

Q.—Would you tell us this, Mr. Jardine: what length of time it takes a policy on an average to make good the reserve and be self-sustaining in your company? A.—The third year in ordinary life policies and the fourth year in twenty year life policies.

Q.—Can you give us the figures showing how they would progress each year?

MR. JARDINE: I could make that up.

MR. TILLEY: It takes three or four years?

MR. JARDINE: Yes.

MR. TILLEY: For the policy to make good the reserve and be on a profitable basis to the company?

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MR. JARDINE: Yes, about the fourth year to be profitable.

MR. TILLEY: Of course that would be accounted for by the heavy expense in getting the business?

MR. JARDINE: Yes.

WITNESS: Or would be more proper to say that it is from the fact that the agent's commission is paid by one payment, instead of getting an equal commission every year.

MR. TILLEY: Q.—In a fire insurance he gets a certain commission each year as long as the policy is kept alive? A.—Yes.

Q.—Or every time the premium comes in? A.—Yes.

Q.—In life insurance it is all taken out of the first premium? A.—Yes.

Q.—And by reason of being loaded on the first premium it thereby makes the heavy expenditure? A.—Yes, by the requirement of the Government that the whole amount should be charged up, and that no credit is given for the loading on future premiums.

Q.—The requirement of the Government is that if you pay it in the first year you must show it as an expense in the first year? A.—No; in England they do not do that. They allow them to keep what is called a gross premium valuation.

Q.—Your expense for new business would take the whole of the first premium? A.—Yes.

Q.—And more? A.—And more.

Q.—How much percentage? A.—Up as high as 120.

MR. LANGMUIR: Q.—Would it tend towards higher remuneration if it could be spread over a number of years? A.—It would not be possible to do it, because of the expenses an agent has to incur. He could not live, and he must get his commissions commuted, or go into the business with capital.

Q.—Would it tend towards greater persistence if that would be overcome? A.—The agents like it better, and I believe it would improve the persistency if it could be done that way. There is no doubt about it that the agents in fire insurance companies are very much better paid on an average than the life insurance agents.

Q.—If it were spread over a series of years it would not look so much? A.—It is just a question of the money value.



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MR. TILLEY: Q.—Would it not be better to have it spread over four or five years, and have it depend on the premium coming in each year? A.—It would if the business was done by agents as a rule who make the insurance a permanent business, and not, as is the case, where a very large proportion of those who write the business are in the business temporarily, and they cannot afford to have a contract that will lose to them a large share of their remuneration, because they will leave the business and go to something else.

Q.—They must get in the first year? A.—Yes. In the fire insurance business an agent has to have an office and a fixed place of permanency. That does not apply to the life insurance. In fire insurance a large amount of business comes to the office. I have been in both businesses, and I have had a very fair experience, and I have no hesitation in saying the remuneration to fire insurance agents is very much better than it is to life insurance agents, notwithstanding the public opinion to the contrary, and I hope the result of this enquiry will be to give the life insurance agents a little better income than they are getting now, possibly to induce them to go more into it permanently, rather than to give them a first commission.

MR. LANGMUIR: Q.—Is that your recommendation? A.—That is my recommendation. I have recommended every agent to take our renewal commission in preference to our brokerage. But nine out of ten have not taken my advice, and consequently they have not been as well paid as if they had taken the renewal commission. After a time this amounts to quite a sum; but it is such a temptation to commute that by a slightly higher first commission, and that works against the agent.

MR. LANGMUIR: Q.—The matter presents itself in this way: whether if some plan could be adopted that would increase the persistence, it would be to the interest of the insurance company? A.—Oh, unquestionably, and everybody else.

Q.—Perhaps the insured? A.—Yes. The policyholder often loses interest in his policy when perhaps the agent who took that insurance, if he followed him up, could get him to renew when nobody else could. He must have had some influence to get him insured, and the person who placed the insurance

can get it renewed when nobody else can.

Q.—If he allows it to drop, and finds it necessary to renew it again, he has to pay a higher commission? A.—Yes, and two commissions have been paid on it, and the company does not benefit.

MR. TILLEY: Q.—How do you fix your estimates of profits? A.—At the present time?

Q.—Well, probably we had better have a history of that? A.—In the first instance our estimates were practically based upon the profits paid by companies who had been doing that tontine business, taking into consideration when they were earning practically the same rate of interest, or about the same rate of interest we were.

Q.—Who fixed that originally? A.—Mr. Standon.

Q.—Having regard to estimates other companies were issuing? A.—Yes, and taking into consideration what he believed to be the interest earnings here.

Q.—Believing they would be higher here than elsewhere? A.—At the present time, but not higher than they were in previous periods when companies had done that business.

Q.—Is it of any use for a company starting to issue estimates unless they are as high as estimates of other companies? It is just wasting paper? A.—It is more satisfactory, of course, if they are as high, I suppose, but assuming people insist upon having some kind of investment, they say "we have not got any idea what these profits will amount to; we would like to have an estimate what they will be."

Q.—I suppose that would be all the more important where the company is not bound to distribute any particular percentage of its profits to the policyholders to have some estimate or some statement by the company to give its policyholders. That would be more important than where the company is not bound to give any percentage or fraction of its profits out that way? A.—They are not bound to give any estimate, but it has proved to be a pretty serious matter to some companies that have not paid their estimates.

Q.—Have you paid your estimates? A.—Yes, in full.

Q.—What estimates? A.—All the estimates.

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MR. LANGMUIR: Q.—Is that so?

A.—Yes.

Q.—You are the first one we have heard of? A.—Our estimate on our five year tontine policy was a bonus of one per cent. At the second period we increased it to  $1\frac{1}{2}$  bonus; that was fifty per cent. more than we had estimated or anticipated that we would be able to pay.

MR. TILLEY: Q.—Have you paid any estimates on your endowment policies? A.—No, we have not been in the business long enough.

MR. JARDINE: On participating we have.

WITNESS: Yes, on participating endowment we have paid in five years a bonus of  $1\frac{1}{2}$  per cent.

Q.—The deferred ones are not in yet? A.—No.

Q.—Where there is no check that is required in any way on the profits that are paid or to be paid that the company can issue one per cent. or two per cent., or whatever may be necessary, so long as it is sufficient surplus? A.—Yes, but that same amount has to be issued to every other policyholder of the company.

MR. PATTERSON: Q.—Is that for the five years? A.—Yes, one per cent. per annum, \$50 for the five years.

MR. TILLEY: Q.—For \$1,000? A.—Yes.

Q.—That is not what the policyholder gets by way of reduction in his premium? A.—No, the cash value taken as annuity for five years.

MR. PATTERSON: Q.—Has that been distributed twice? A.—Yes, we have had two distributions of profits.

Q.—The first at one per cent. per annum? A.—Yes, and the second at one and a half.

MR. TILLEY: Q.—You have no way in which your account is kept to show how your deferred policies are provided for to date? A.—Yes, Mr. Standon always makes that a first calculation showing what is the present value of our estimated cash value on our tontine policies, and shows by the distribution of the same dividends on all of our tontine policies up to date what amount it would require.

Q.—Have you got that? A.—No, he has made that calculation and given it to us.

Q.—You got reports from him, and I saw some reports which I thought covered all the information you got from him? A.—No.

Q.—This is a verbal statement? A.—Yes.

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Q.—All you can say about it is that Mr. Standon has told you that that will come out all right? A.—Yes, he has made the estimate and finds we can probably pay a dividend, and told us what he has taken into consideration. We have first our tontine policy, what you might call tontine policy. Five years are not usually tontine, although they have been decided to be, but our first fifteen year policies come in next year.

Q.—A tontine policy is supposed to be every five years, ten and fifteen; that is commonly spoken of as tontine policies? A.—Yes.

Q.—Where are your original estimates? A.—Here they are.

Q.—Then the endowment estimates that you have issued are at pages 36 and 37 of your original book? A.—Yes.

Q.—And you estimate that in your twenty year endowment a person insuring at age 21, his surplus would be \$821? A.—That was our estimate, yes.

Q.—At age 21 taking a 20 year endowment—that is living till he is 41—that his surplus would be \$821; that is per thousand? A.—Yes.

Q.—That is, he would have a \$1,000 on his policy and \$821 profits? A.—It makes some of our competitors laugh; they will laugh on the other side of the face when we will fulfil these estimates.

Q.—He who laughs last laughs best? A.—That is another way of naming the Great West.

Q.—And a person at 55 years of age taking a 20 year endowment at \$1,000, his estimated profits would be \$1,930? A.—Yes.

Q.—Or \$2,930 would be the gross value? A.—Those amounts have actually been paid by companies.

Q.—By what companies? A.—The Mutual Life of New York. The agent is here. He could tell.

Q.—Recently? A.—Not recently.

Q.—How long ago? A.—Cannot tell it exactly, but they show it in their statement which I believe to be genuine.

Q.—Individual policies? A.—During the early periods.

Q.—How many years ago would you say that that was in vogue? A.—It was some time ago.

Q.—Twenty years ago? A.—I do not know exactly how long it is now, but I have seen it. We have it in the

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Handy Guide. We have illustrations of Mutual Life policies and Equitable—

Q.—Have these estimates been changed from time to time? A.—Yes.

Q.—Increased? A.—No, decreased.

Q.—Why? A.—Because the estimate of the term during which the present rate of interest would be earned has been changed, believing that the rate of interest will come down, and that the average rate of interest for the first 20 years would be less than for the 20 years from five years or ten years or fifteen years from that period. That is the basis Mr. Standon considered when fixing the estimates and when reducing—

MR. PATTERSON: Q.—Those enlarged profits are only paid to the tontine policyholders? A.—Yes.

Q.—You are only able to pay them from the fact that those who do not reach that age get no profit at all? A.—Yes.

Q.—Do you think it is a good system for the public? A.—I think it is a good system.

Q.—A good gamble? A.—That is what the Canada Life used to say, and they refused to issue them, and the consequence was the American companies come here and get the benefit. Say 1,000 people insure, and they pay their death claims, and at the end of 20 years who does the fund belong to? It belongs to those who survive. A great many people say the tontine system is the correct one.

MR. LANGMUIR: Q.—It is not a question of the survival of the fittest? A.—The question as to which way they shall be divided, the selection will depend upon what a man thinks his prospects of living out the time are. The Canada Life do not consider it a gamble now.

MR. TILLEY: Q.—What is the difference between your collateral securities and your tontine policy? A.—At first we issued the collateral securities on the 20 payment plan, and the others did not give this guaranteed cash values.

Q.—That is, you would guarantee them a certain loan or cash value? A.—Yes.

Q.—And the limited tontine did not? A.—No.

Q.—Was there any difference in the rate for the policies? A.—Yes. One was based upon a  $4\frac{1}{2}$  per cent. interest and the other upon 4.

Q.—But originally in 1892 was the rate the same? A.—No.

Q.—The rate for a 29 payment collateral security policy age 25 was \$27.12, and for a limited tontine \$24?

A.—Yes. One based upon  $4\frac{1}{2}$  H.M. table and the other upon 4 per cent. combined experience.

Q.—Were the estimates for both policies the same? A.—No.

Q.—Were the guaranteed values the same? A.—No. One was based upon  $4\frac{1}{2}$  per cent. and the other upon 4.

Q.—Take your 1894 rate book and see whether the guaranteed values at the end of 20 years were not the same in both policies? A.—Our reserve on both policies was the same. We put up 4 per cent. on both. In that year we gave the same guaranteed reserve. We in the meantime had decided to put up all of our reserve on a 4 per cent. basis.

Q.—Just take your statement as to the guaranteed reserve? A.—Yes, they were lower, at page 35, age 30, guaranteed reserve \$442.

Q.—That is the 20 payment life tontine? A.—Yes. The other policy is on page 28, at age 30 the guaranteed reserve \$448, one being \$442 and the other \$448.

Q.—Then that is your guaranteed reserve? A.—Yes.

Q.—If there was a difference in 1892, the collateral security policy having a much higher value than the limited tontine, why in 1894 did you bring that to the same? A.—Because we had decided in the meantime to put all of our policies at 4 per cent.

Q.—That is in changing the rate? A.—No, we decided it would be in the interests of the business. Our first idea was that it would be put up at  $4\frac{1}{2}$ , the Government rate.

Q.—At the same time you increased your estimate on the collateral securities policies and decreased them on the tontine policies? A.—Yes.

Q.—You brought the guaranteed value of the limited tontine up to the same standard as the collateral security? A.—Yes.

Q.—But you decreased the estimates? A.—Yes.

Q.—And increased the estimates on the collateral security? A.—Yes.

Q.—Why? I would like to find out any system on which these estimates are made and changed from time to time. Take 1892, your estimate on collateral security policy at age 25,



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the figures you have do not quite agree. There is some change made, is there?

MR. JARDINE: It is pasted in the other book and it has slipped out of this.

MR. TILLEY: Q.—In every case where you have changed your estimates or your guaranteed values, it has not the sanction and approval of Mr. Standon? A.—All the sheets had been made out by him for the printer.

Q.—Because there seems to be a changing of different policies from time to time and no consistency between different ages and so on? A.—To some extent that has been guided by the experience of the company.

Q.—Has it not been guided by what other companies are doing? A.—By what they are paying. First it was purely an actuarial estimate, and gradually as the estimates were coming round, some of them being fulfilled—companies like the North Western Mutual—for some years they fulfilled their estimates, and they have changed. There are very different views held by some of the actuaries as to the young years and the old ones.

Q.—And that involves changes? A.—Yes.

Q.—Did you continue that limited tontine down to date? A.—No.

Q.—When did you do away with it? A.—When the reserve was raised we dropped that policy altogether.

Q.—And kept to the collateral security? A.—Kept to the collateral security.

Q.—What is the force in such a description as collateral loan values? A.—The policy itself is a collateral for the loan.

Q.—All policies are now on that basis? A.—A great many companies have copied that policy. Some of them have copied the circular and letter and everything.

Q.—Do not all companies give guaranteed values now? A.—Yes, and there was only, I think, one other company in Canada giving it at that time.

Q.—It was rather an innovation, then, was it? A.—Yes, it was looked upon as a dangerous thing to do, even at that late date. It was thought it would induce the people to drop their policies, but it did not have that effect.

Q.—Take a change in your mind like this: on your limited tontine policy for a 20 year payment life policy, according to the 1892 book it was \$2,040

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age 55? A.—In a limited period 20 payment life, age 55.

Q.—\$2,040? A.—Yes.

Q.—In 1898 it was \$2,700? A.—Yes, there was a great change made.

Q.—I should think there would be some need for a change? A.—It is a question for a division between the different dates.

Q.—Take the 20 year endowment at the same age; that is the one I referred to \$1,930? A.—Yes.

Q.—It came down to what in 1898? A.—\$959.

Q.—That is the collateral security? A.—Yes.

Q.—There was no other at that time? A.—Yes, in 1898.

Q.—You had the other? A.—Yes.

Q.—It went to \$730? A.—On the 20 year endowment?

Q.—Yes, \$730? A.—Yes—not nearly so much difference. You are just taking age 55. There are not many of those continue, and when you get up to 75 years of age there are not very many policyholders, and not many of them survive the period.

Q.—Take a younger age, age 25; take your collateral security policy and the 20 year endowment. In the 1892 book your estimate was \$840; is that right? A.—The estimated surplus \$559.

Q.—Age 25, twenty year endowment? A.—Oh, no, I was taking 20 payment life. We have nothing but the 20 payment life.

Q.—In 1894 your estimate was \$1,038 for the 20 year endowment? A.—At age 35 \$1,038.

Q.—In the 1898 book it came down to \$661? A.—Yes.

Q.—And in 1900 back to \$472? A.—Yes. That was during the period that we were all fearing that the rate of interest was going down. It was going down when the symposium issued by the New York Life containing the opinions of some 20 expert financiers, deciding that the companies would all have to reserve at 3 per cent.

Q.—Your estimate in 1900 was not half your estimate in 1894? A.—No. We believe we will do a great deal better than those estimates.

Q.—Your estimate in 1900 was higher than your estimate in 1906? A.—Yes.

Q.—Although on some plans and some ages your estimates have been increasing? A.—Yes, on some 15 year terms it was found by experience that

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they were too low. The fact of the matter is that we have done better on our five year distribution, taking a similar profit estimated on our fifteen year tontine.

MR. LANGMUIR: Q.—How do you account for that? A.—We have paid fifty per cent. more profit on that than we expected to, and that was taken into consideration in figuring the estimates on the 15 years and I think the estimates on that were too conservative.

Q.—Do you think that companies should be prevented from issuing those estimates? A.—I think they would all be very glad indeed to be prevented. We are asked for them everywhere.

Q.—They have got to such a pitch you would like to have them stopped by some decided force? A.—We would be very glad to have them stopped. I think that is general among the companies. The only argument is that if the companies do not give estimates the agents will be tempted to.

MR. GEARY: Q.—It would leave the agents freer? A.—Yes, it would leave the agents freer.

MR. PATTERSON: Q.—You could divide a certain number of profits like the Canada Life? A.—Not only that, and I think the company should be required to allow their profits every five years. If they did that there would not be the same room for estimates.

MR. TILLEY: Q.—That would bear hardly on a young company, if the young company felt it ought to eliminate from its rate book all five year periods, as yours did. A.—It was the general policy issued by every company in Canada, and it was not labelled. Every agent knew that was the five year. I should like to finish the statement about apportionment. I do not think that should be required unless the companies were also to take something off their reserve, say on the basis of Mr. Bradshaw's suggestion. I read that over carefully, and it appealed to me—

Q.—You think in the early years when there is a full succession of lives the full reserve should not be required? A.—The full reserve should be required to be stated in the report, and the company should not only be allowed but required to deduct from that an amount on some such basis as Bradshaw suggested. That will then show the divisible surplus, and

will prevent a company from dividing too much or dividing too little. It does not matter what idea they may have in regard to the reserve which they might be allowed to put up, they should be required to publish in the blue book the reserve on the basis required in the blue book, and then a definite allowance on that reserve should be made on such a basis as Mr. Bradshaw has indicated, to cover the value of the loading on the future premiums received on that basis. In other words, they have borrowed from some source or other to put up that reserve an amount of proper expenses over the first year's loading, and that will be met out of the future loadings on those premiums, and therefore it properly should be deducted from the reserve that has been held to be the right custom by the best English companies, and their experience has shown it works out well, and it gives the new companies a chance, and it prevents the old companies from unnecessarily concealing their invisible surplus by putting up an unnecessarily high reserve. I think that would get rid of some of the difficulties.

Q.—It would have the effect of lessening the reserve for the first few years by taking credit for some future loadings over a certain time which you say should be properly used for that purpose? A.—Yes, and the answer to that would be "Well, these policies may all drop out." That would be just as absurd as to say you should put up the full amount of the policy because the people may all die in the one year. One is just as absurd as the other.

Q.—You issued at the commencement a certain class of term insurance? A.—Yes, we are still issuing term insurance.

Q.—I suppose it is fair to say you rather pressed it then more than you do now? A.—Yes.

Q.—Was that on the advice of an actuary, Mr. Standon? A.—Yes.

Q.—Was it because of this kind of reserve? A.—Yes.

Q.—The term insurance might require the same reserve to be put up that ordinary life does? A.—Yes. Ordinary life has to be paid ordinarily, but the term insurance has only to be paid if the party dies within the term.

Q.—Did you give to the insured any privilege of continuing the insurance as long as he wanted to? A.—Yes.

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Q.—At the same rate? A.—No.

Q.—At the new rate? A.—Yes, at the new rate.

Q.—The rate would progress just in the natural premium method? A.—Yes.

Q.—But you would appreciate some reduction to be made from it by reason of profits earned by the company? A.—Yes.

Q.—Did you not commence to issue a policy where it was term insurance for one or two years and then could be converted into straight life insurance at the same premium? A.—We issued for a year or two what we call a combined term and life.

Q.—Did I express it rightly when I said two years? A.—They had not to do anything to continue it at the same premium.

Q.—Automatically it was continued? A.—Yes, but the matter came up before the Superintendent of Insurance.

Q.—Was the premium payable for the first two years the same premium that would be afterwards payable at the expiration of that time? A.—Yes.

Q.—And it was a level premium? A.—Yes. It served the same purpose as the first year policies are now used by some companies.

Q.—Some Canadian companies? A.—No, no Canadian companies are allowed to use it. The Superintendent decided we must reserve upon them as an ordinary life policy.

Q.—That is, on account of the way it automatically became a life policy, you must treat it as a life policy? A.—Yes.

Q.—I suppose that appealed to your judgment? A.—We did not discuss the question, but there had been a ruling of the department and we took it.

Q.—There could be no other ruling on that subject? A.—It has been decided otherwise in the States.

Q.—It has been admitted in the States? A.—Yes.

Q.—What States? A.—Almost all the States. At first one or two States ruled against it, and that has been appealed. It has been practically settled now, I think in every State but Massachusetts. The best British actuaries and one or two German actuaries who have given attention to it—Dr. Sprague, the English actuary, and one or two German actuaries—have recommended a preliminary term.

Q.—They have adopted for the purpose of estimating a reserve a method by which there is a preliminary term after a fresh selection, where the reserve is much smaller? A.—In ordinary life, which they make the basis, they allow the same premium for the first year but no reserve, and the second year—

Q.—That would obviate the high reserve, but under the Insurance Act as it now stands there would be no other way possible? A.—Well, the same ruling of the Department could be made as in the United States.

Q.—That is not the result of legislation permitting that method of valuation? A.—No, purely a question of decision of the courts. They held that where it stated in the policy one year the department could not compel them to put up any reserve.

Q.—Was your renewable term policy renewable from year to year, or ten or twenty years? A.—We do issue them from ten to twenty years.

Q.—But not yearly? A.—Not yearly at that time. We are now issuing a yearly renewable.

Q.—Did you anticipate that on those renewable term policies that the premium would be a level premium by reason of applying profits? A.—They would be to some extent. They based that on the experience of a company where they had succeeded in renewing their policies for two terms, at that time making it for three periods of ten years.

Q.—“This form of insurance is granted in terms of ten, fifteen or twenty years,” etc. (Reads.) That is what you stated at the time? A.—Yes.

Q.—“This is not by any means a thoughtless assertion, but it is the deliberate opinion of the officers of the company, and is justified by the mortality experience of the various life insurance companies in the past.” Tell me whether your expectation was realized? A.—Yes, we renewed those policies for the same term up to certain ages; up to a certain age they were renewed without increase of premium.

Q.—What age was that? A.—Do you remember the age, Mr. Binglewell?

MR. BINGWELL: About 36.

Q.—And after 36? A.—A slight increase.



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Q.—How long did that continue?  
A.—We have not come to the second period.

Q.—How will it be? A.—It may be a somewhat lower age than that.

Q.—How did you report that insurance in your return to the Government—as life insurance or term insurance? A.—All as term insurance.

Q.—Are you sure? A.—Oh, certainly, that was all term insurance.

MR. JARDINE: It is only recently they have asked for the division.

MR. TILLEY: Is that so?

MR. JARDINE: Entirely so.

MR. TILLEY: You report it as term?

MR. JARDINE: Yes. It is only recently they required the division of profits.

MR. TILLEY: Q.—In 1903 you changed the language as to your expectation to a little more modest phrase, "The policies participate in the profits of the company, which will be applied at the end of the term for the purpose of reducing future premiums under the same or any other plan selected?" A.—Yes, I did that. The first was written by Mr. Standon, and on going over it with him and making some enquiries as to the experience, it was found some companies that very year increased the premiums, and we felt that that should be modified.

Q.—That required a change? A.—Yes.

Q.—Have you changed the rates for those term policies? A.—We are not issuing that participating policy as a ten year term. We are still issuing the twenty.

Q.—And annual? A.—And annual and non-participating ten year term.

Q.—What is your decennial plan? A.—It is a ten year term plan, payable by 25 annual instalments.

Q.—Of how much each for \$1,000? A.—That would be \$40 each. We issued \$2,500 policies.

Q.—You pay \$100 a year for the twenty-five years? A.—Yes.

Q.—And then, of course, no capital sum at the end of the time? A.—No.

Q.—Supposing the insured outlives the period, the ten years, for which the insurance is taken? A.—If he wished to continue he would have to pay the rate.

Q.—His term insurance comes to an end? A.—He can renew it.

Q.—His term insurance? A.—Yes.

Q.—He cannot renew it as of right at the old rate? A.—No. There is a difference between term insurance and renewable term insurance.

Q.—But he has a right to renew? A.—Yes, without medical examination, but the premium is the same.

Q.—The same as if he took out new insurance and passed the medical examination? A.—Yes.

Q.—You have a good many different kinds of policies? A.—Yes, and we have occasionally to issue others that we have not in our books.

Q.—Which you have not any plan for? A.—Yes. The Government thought of having a few standard policies in the United States, but with the tremendous diversity of opinion as to what will suit the insured, it would be hard to tie it down to any particular style. People would not use the same style of policies any more than ladies wear the same hat, and the companies have to issue different policies and make one policy suit one individual better than another policy.

Q.—What sort of policy is the 19 year payment life? A.—Just the same as the 20, except that it runs for 19 years instead of 20.

Q.—On what is it based? A.—Exactly the same loading on the 19 year payment as the 20 payment life.

Q.—What is the purpose of that policy? A.—The purpose is where rebate is offered we tell our agent that he does not need to give a rebate because he can give a 19 year payment life.

Q.—That is, if the insurer says "Give me a rebate," then you say to your agent "You do not need to give rebate; give him a 19 year payment life policy? A.—Yes.

Q.—It is suspiciously like a policy to offer a man where he has paid one premium in another company? A.—Yes, it might do for that, but we get it up for the purpose of giving the agent no excuse for rebating.

Q.—Because you give the insured the rebate himself? A.—Yes, our rate being lower than other companies. Our 19 payment life is lower than the 20 payment life of the American companies.

Q.—That is to say, you can offer this 19 payment life to a man who has paid one premium in another company and he can leave that company and go over to you without loss? A.—It is not what I mean.

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Q.—Well, is that the effect of what you say? A.—That would be probably correct.

Q.—Is it found to be a useful policy for persons who have paid one premium in another company? A.—It is a splendid policy for an agent to offer a man who asks a rebate.

Q.—Who has been offered a rebate in another company? A.—To show he can give him that 19 payment life for the same premium he has been offered 19½ premiums in another company. He can say to him "You have only to pay 19 premiums, whereas you have to pay 19½ in the other company."

Q.—Does your agent get the same commission on that policy as on the 20 year policy? A.—Exactly the same commission.

Q.—It is not as beneficial to the company? A.—It is exactly the same loading on exactly the same basis.

Q.—Have you ever found it used with persons who have already paid one premium in the other company? A.—Never noticed a case of the kind, and it was certainly not devised for that purpose. It was with the honest attempt to try and assist what all the other companies were trying to do, to stop rebating.

MR. KENT: Q.—It is in effect a rebate of the last premium instead of the first one? A.—No, it is not. It is loaded exactly the same as the 20. It is no more a rebate than the 15 payment life is a rebate of ten payment life.

Q.—A man pays \$19 and gets the same benefit as the one who pays \$20? A.—No, excuse me, our 19 payment is much higher than the 20.

Q.—You said it was the same in both cases? A.—I said it was the same as the 20 payment to the American companies.

MR. TILLEY: Q.—How does the guarantee— A.—It is precisely the same. It matures at the end of 19 years instead of 20.

Q.—What is your savings bank policy? A.—We issued it during the earlier years.

Q.—Do you issue it now? A.—No.

Q.—Why? A.—There is no demand for it. It does not take.

Q.—The name ought to be taking—Savings Bank? A.—Yes, it did not seem to be adapted to the wants of the agents or the people.

Q.—Were the agents paid as liberally on that policy as the others? A.—Yes, but it did not become popular.

Q.—You issued five and six per cent. bonds? A.—Not six per cent.—five per cent.

Q.—Did you ever issue six per cent.? A.—No.

Q.—I thought you in your first rate book offered it at five or six per cent.? A.—We might possibly.

Q.—You may not have issued the policy, but look at page 69 in the 1898 book? A.—Yes, five and six per cent. bonds.

Q.—The idea of expressing it that way was that the man would anticipate he was getting over five per cent. or six per cent., accordingly as he paid his money? A.—It might be so considered, but it is not correct.

Q.—It is not correct, we know that now, but that is what the layman would think, what the agent would tell him? A.—Well, the way it would be explained would be that if a man pays that amount of premium he gets \$1,000 insurance, and at the end of the period he can take \$1,000 bond upon which he will get five or six per cent. as the case may be.

Q.—But he does not get five or six per cent. on the amount of the insurance at the end of the time? A.—Yes, on his insurance.

Q.—Not on what his insurance is worth? A.—No.

Q.—And he does not get five and six per cent.— A.—Not including his premium.

Q.—If he took his cash he would get more than \$1,000? A.—Yes.

Q.—How much? A.—About 20 per cent. more.

Q.—About 120? A.—Yes.

Q.—Do you think that is a good name for it? A.—The company that got it up explain it in this way: here is an opportunity to buy a bond at the end of 20 years if you live and make the payments you get a bond for these payments, if you die your estate gets the bonds right away. It seemed taking and a good many agents asked for it.

Q.—I think most of the companies have that form now? A.—Yes, nearly all companies.

Q.—What is your perfect protection policy? A.—It is one under which we try to meet the objection made to the ordinary tontine policy. Mr. Patterson just mentioned it a moment ago. If Mr. Patterson was looking for some insurance and canvassing and said "Your tontine policy has the objection that if I die during

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that term I do not get any profits," we say "Very well, pay a little more and you will get profits; pay 25 or 50 per cent." It is all computed according to the rate you charge.

Q.—It would be computed? A.—Yes.

Q.—There is another feature by which the non-forfeiture automatic extension system applied? A.—Yes. At that time it did not.

Q.—Would that automatic non-forfeiture extension be term insurance? A.—No, it is a loan of the amount of the premium, as long as there was sufficient in the reserve to pay the premium.

Q.—You would keep loaning him money as long as you had money in hand to pay him the premium? A.—Yes. We thought that was so satisfactory, and it seemed to appeal to the agents and public so well that we adopted it. It is becoming more and more common and a great many companies use it.

Q.—Then you have a policy called young people's policy? A.—Yes. That is a policy where while the party is not old enough to be in our opinion considered suitable for examination and issuing a permanent policy to, we issue a policy at a reduced rate, with the understanding that when they arrive at a certain age they will then be examined. If they can pass the medical examination they then continue the payments on the policy at this reduced rate, and if they do not we return their premiums. We do not want to insure them permanently.

Q.—But you want to get an option on them? A.—Yes, we want to start them in safe.

Q.—The race is so strenuous that you want to get them committed to your company a few years before it can be decided they are good risks? A.—A good many people who have arrived at your age advise their children to take out insurance while they are young, because they secure a much lower premium.

Q.—Is there any medical examination at the time the option is taken? A.—No.

Q.—No medical examination? A.—No.

Q.—Is there insurance between the time the option is taken and the time when the examination takes place? A.—No. In case of death all premiums are returned.

Q.—Any interest? A.—No.

Great West Life.  
(J. H. Brock, Ex'd.)

Q.—If you refuse the applicant as the result of the medical examination later do you give interest on the premiums? A.—No, and we do not charge them any expense.

Q.—You would hardly think you should? A.—Well, we have paid a commission on the business, of course.

Q.—What commission do you pay? Is it your regular commission?

MR. JARDINE: Yes. On the young people's twenty years life there is the same commission as on the other.

MR. TILLEY: Q.—The age at which he or she was subjected to a medical examination was 18? A.—Yes.

Q.—Does that apply to the females as well as the males? A.—Yes.

Q.—Are the rates the same? A.—Yes, on all those plans.

Q.—Is that usual, to give the same rate for women as for men? A.—With the majority of companies, yes; some do not.

Q.—The rates should be higher, built on a proper actuarial system, should they not? A.—I do not think so.

Q.—You think the rate for one should not be higher than the other? A.—Yes. It is pretty hard to say we should charge a woman more for an annuity, which is the reverse of life insurance, but we do charge a woman more for an annuity.

Q.—At all ages? A.—Yes. We say they should live the longest. Why we should charge them more for life insurance I do not see. It varies at some stages. There are certain periods in the life of a woman when the death rate is higher, but take it continuously through life the death rate is not any higher.

Q.—You have handed us a form of that policy and it has the provision you speak about, "It is further agreed that the insured shall pass a medical examination satisfactory to the company upon reaching the age of 18 years, and the company to have the option of cancelling the policy and returning the premiums;" but there is no clause giving them back the interest? A.—If we had that clause we would have to charge a higher premium.

Q.—Do you find that is a policy which is popular? A.—Yes. We do quite a business on that policy.

Q.—Do you put up a reserve on that policy? A.—Oh, yes.



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Great West Life.  
(J. H. Brock, Ex'd.)

Q.—In your annual renewable term policy you give rates up to age 60? A.—Yes.

Q.—On the back of the policy? A.—Yes.

Q.—Why did you not give them for higher ages? A.—After 60 we require them to change to an ordinary life—no, it is after 65.

Q.—Between 60 and 65 there is no table of rates? A.—No, because we do not issue—

Q.—Why don't you stop at 55 or 65? A.—I suppose there is no room on the table.

Q.—There would be lots of room if it was good advertising?

MR. JARDINE: No policy is issued at an age higher than 60.

WITNESS: It is printed on the table.

MR. TILLEY: Q.—The insured at that age must turn it into a life policy if he keeps it on after that date? A.—Yes, that is the condition of the policy, that we require him to take out a life policy after that age.

Q.—You do not show the premium for a life policy? A.—No.

Q.—Would that not be useful where you are showing all the other amounts payable? A.—The premium might change in the meantime, and we expect to get the premium in force at that time.

Q.—And you think it would not be right to stipulate for that premium at the time he takes out his policy? A.—There is an necessary element of hazard in that that we do not want to charge for.

Q.—I see on the policy you print the statement that it is reasonably expected that the increase will not be called for, as the profits will be able to keep down the premium? A.—I believe that is the same as we had in the circular.

Q.—I will put in a copy of your loan agreement. (Ex. 407.) I suppose that to some extent you follow other forms and then improve it as you think it could be improved? A.—Yes, we have made the loan agreement more liberal than we did at the beginning and as simple as possible.

Q.—Then the claim papers will be Ex. 408. Now you require evidence from the claimant, the physician, the undertaker and acquaintance and a clergyman and the agent? A.—Yes, in some cases. We waive some of these where the man is known to us. We waive the undertaker.

Q.—Is that not a formidable bunch of papers to hand to a widow and ask her to get completed? A.—It does strike the widow in that way.

Q.—Are they necessary? A.—In our experience they are absolutely necessary, I think. It is the only way we can detect fraud. I have gone through it to see if we can dispense with any of them, and we decided we had to have them. We waive them where we know the party, or the agent knows him, but we want them where we have not an agent. Sometimes a man may die in a foreign country.

Q.—You have no foreign business? A.—But the insured may be in a foreign country.

Q.—That would be all the harder to get them completed? A.—There was one man killed in the Philippine war; we could not get proof. There was an explosion and we got evidence of it and paid the claim. The companies are fairly easy. We want reasonable proof of the claims. Where there is no doubt about it we do not want the proof.

MR. PATTERSON: Q.—Are you speaking of all companies? A.—Well, there was one company from the United States that did business here that was an exception. I do not like to name it. I do not think it is necessary to name it.

MR. TILLEY: I want to put in the method of distribution and your statement of actual cash dividends on deferred dividend policies? A.—You have it there.

Q.—It is all compiled here before us, and I do not need to ask you about it other than just to put it in showing how you deal with that matter. (Ex. 409.) I think that is all.

JUDGE MAC TAVISH: Does Mr. Patterson want to ask any questions?

MR. PATTERSON: No. I think the matter has been thoroughly examined into.

JUDGE MAC TAVISH: I do not think this company need complain about any want of thoroughness on the part of this investigation.

WITNESS: No, we have not any complaint of that kind, and I desire to express my thanks to the Commission for the very thorough manner in which they have examined the company. I have had to take the responsibility in the past to tell the directors

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and others about the company, and I should like that my misdeeds, as they may be considered by this commission, may be made known to them, so that they may be able to guard against them in the future. We want them to be posted in the future. They have been here all the time, and I hope the commission will form a good idea of the audience when I tell them that the audience is made up almost exclusively of the agents of other companies, and a better lot of men I do not think can be found.

MR. KENT: Handsome is as handsome does.

WITNESS: I am glad to have impressed that upon them. I am sure they will accept that.

JUDGE MacTAVISH: If there is any matter the company wants to bring before the commission, we will be sitting later, and we are always ready to receive any additional information or explanation of information already given. If there is any matter you would desire to bring to the notice of the commission, you will have an opportunity of doing so on behalf of the company, at any future sitting of the commission. In the meantime we will adjourn, not to any fixed date or any fixed place, but subject to be called together when it is found necessary to meet.

#### SIXTIETH DAY.

Toronto, Tuesday, Sept. 4th, 1906.

#### MONARCH LIFE ASSURANCE COMPANY.

MR. MATTHEW WILSON, K.C., appears for the Monarch Life.

MR. SHEPLEY: We are ready to go on, if your honors will permit Mr. Tilley to take up the case of the Monarch Life Assurance Company.

JUDGE MacTAVISH: Very well.

T. MARSHALL OSTROM, sworn. Examined by

MR. TILLEY: Q.—You are the Manager of the Monarch Life Assurance Company? A.—Yes.

Q.—You are a Director as well? A.—Yes.

Q.—And you style yourself the Managing Director? A.—Yes.

Q.—Do you hold any other position in the company? A.—No.

Q.—You were a promoter of the company, I believe? A.—Yes.

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Q.—And it obtained its license to carry on business in Canada just a month or two ago? A.—On the 19th July, 1906.

Q.—When did you first do anything towards the promotion of the company? A.—It was April, 1904, or 1905.

Q.—Which was it? A.—April, 1905.

Q.—Was it not 1904? A.—Well, it may have been; I am not sure.

Q.—Well, there is a year's difference and I would like to know? A.—Well, it was either one or the other. The Minute Book will show that.

Q.—It must have been April, 1904? A.—That book which Mr. Wilson has will tell you.

Q.—This gives a draft agreement of March, 1904, between yourself and Mr. Stevenson? A.—Yes.

Q.—At the time you decided to incorporate the Monarch Life Assurance Company did you have it in mind to incorporate any other company? A.—Not then, no.

Q.—Did you at a later period? A.—No, not for a year or two years afterwards—a year afterwards.

Q.—What company are you referring to now? A.—The Monarch Bank.

Q.—Then you did not conceive of the idea of incorporating them both at the same time? A.—No.

Q.—Who were associated with you in the promotion of the Monarch Life Assurance Company? A.—The provisional directors there, D. A. Gordon, our President now, William Scott, E. W. Livingstone, T. H. Graham, myself, and the Hon. James Cochrane.

Q.—Were these men brought into the transaction by you, or was it their idea in entering? A.—Brought in by me.

Q.—Was there any arrangement between you and them before you proceeded to incorporate the company? A.—No.

Q.—No agreement at all? A.—No.

Q.—I notice that at a later date, in fact almost from the first, there seems to have been an idea to take over some copyrights from you? A.—Yes.

Q.—Was that discussed at the very initiation of the matter? A.—Yes.

Q.—So that there was that understanding between you? A.—Yes.

Q.—That some copyrights that you held on certain forms of policies should be taken over by the company? A.—Yes.

Q.—Was it understood from the first at what price or what valuation they should be taken over? A.—Yes.

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Q.—And what was the understanding with regard to that? A.—\$49,000 in paid-up stock and \$1,000 in cash.

Q.—\$49,000 paid-up stock and \$1,000 in cash? A.—Yes.

Q.—Was there any other understanding between you and the provisional directors? A.—Not that I remember of.

Q.—Was there any understanding that the provisional directors should get something by way of bonus or return for their services? A.—Yes, there was an agreement entered into later that they were to get \$25,000 of paid-up stock.

Q.—There was an understanding that they were to get \$25,000 paid-up stock later on? A.—Yes.

Q.—Was that not arranged at the same time that it was arranged you should get \$50,000 in stock and \$1,000 cash for your copyrights? A.—Never thought of.

Q.—Never thought of at the time? A.—It was never thought of then.

Q.—Who were to share in the \$25,000 capital stock? A.—The Hon. James Cochrane, Dr. Forbes Godfrey, T. H. Graham, E. W. Livingstone, William Scott and D. A. Gordon.

Q.—Were you to share in it? A.—No.

Q.—Were these parties to share equally? A.—I think so, yes.

Q.—And you were not to share at all? A.—No.

Q.—Then your Act of Incorporation was assented to on the 18th of July, 1904? A.—Yes.

Q.—So that I suppose the first thing you did was to prepare to incorporate? A.—Yes.

Q.—To get a charter? A.—Yes. We were in process of getting subscriptions before we were incorporated.

Q.—Had you some subscriptions before that? A.—Yes, quite a number.

Q.—Who had obtained them? A.—I had.

Q.—Personally? A.—Yes.

Q.—Were you paid a commission on those subscriptions? A.—Not at that time.

Q.—At a later date I think you were paid a commission? A.—I think after we were incorporated, yes.

Q.—Then how was it that it took from 18th of July, 1904, down to the middle of July, 1906, for you to obtain the license to carry on business? A.—Selling stock—selling sufficient stock.

Q.—It took two years to place? A.—Well, not two years to sell the stock, but before we could complete

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our organization sufficient to go into business.

Q.—Did you not apply for a license as soon as you were in a position to do so? A.—31st May, yes.

Q.—So that it took from June or July, 1904, down to June, 1906, practically two years, omitting the work you did before you got the charter, to get the subscriptions for stock? A.—Yes.

Q.—Will you tell me the plan you adopted to get subscriptions? A.—The plan I adopted to get the subscriptions, we got out a prospectus in the regular way.

Q.—Have you that prospectus here? A.—I think I have. We have issued the same one right along. There has been the addition of shareholders, but the wording is the same.

Q.—You have only had the one? A.—Yes, we added the shareholders to it.

Q.—You added to the prospectus the additional shareholders that had come in from time to time? A.—Yes, and the Directors, if there were any changes.

Q.—When was this prospectus first printed, can you tell me? A.—I think the first prospectus, according to my memory was about April, 1904.

Q.—You refer in this to the incorporation of the company in July, 1904; so that it would indicate that this prospectus was after that date? A.—The first one was before that.

Q.—Then I will put in this prospectus. (Exhibit 410.) Did you draw this? A.—No sir, I did not.

Q.—Who prepared it for you? A.—Well, I assisted in preparing it. I gave the ideas and it was put together.

Q.—To whom did you give the ideas? A.—I gave the ideas to a man who gets up prospectuses.

Q.—Who is he? A.—Mr. Livingstone.

Q.—Then he was associated with your company? A.—And our solicitor.

Q.—Who was your solicitor at that time? A.—Mr. Holmstead of Ross & Holmstead.

Q.—Then they prepared the prospectus between them? A.—Yes.

Q.—Both Livingstone and Holmstead knew of your arrangement as to \$50,000 of paid-up capital stock for your copyrights. Did you tell them of that, or did you discuss that with them. A.—Yes, they knew all about that.

Q.—Was that to go in the prospectus? A.—It was in the prospectus at that time.



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Q.—Will you show me that prospectus please? A.—I do not think we have one left.

Q.—That is the one I want particularly? A.—I can tell you the wording of it. It says the company is to own the copyrights.

Q.—I would rather see it. Have you made a search for it? A.—I think it is worded just the same as that, Mr. Tilley. If I would look at it I would tell you. (Witness examines prospectus.) Yes, it was the same as that.

Q.—Does this prospectus then at page 14 show all that you said about copyrights? A.—Yes.

Q.—I will read that part, as that is the material part:—"The advantages of Monarch Assurance Company over all other life insurance companies will be superior in every way. The Monarch Life Assurance Company own the copyright policies issued with and without profit, and giving the policyholders the option of taking dividends at any time, viz:—"

Then it sets out the different plans of insurance, and then it follows in this way:—

"Consequently the Monarch Life Assurance Company is destined to meet with unparalleled success, as these policies are original and up to date, and are what the public have been requiring for years. Besides the above plan, the Monarch Life Assurance Company will offer to the public policies similar to those issued by all insurance companies, but at lower rates. All payments must be made," etc.

There is nothing there about paying you \$50,000 paid-up stock for those copyrights.

A.—I quite understand that.

Q.—I asked you whether there was anything said in any prospectus as to the arrangement for you to give the copyrights in consideration of \$50,000 cash and stock? A. At the shareholders' meeting it went on the minutes.

Q.—But there was nothing said in any prospectus? A.—When I got subscriptions myself all of them understood it.

Q.—There was nothing said in any prospectus? A.—No.

Q.—Although the arrangement had then been made? A.—Yes.

Q.—Between you and the provisional directors? A.—Yes.

Q.—You had a letter advising the company as to the contents of a

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prospectus from Mr. Wilson, your counsel, had you not? A.—We have never issued any since that.

Q.—Why? A.—Because we had sufficient stock sold.

Q.—You are not trying to sell stock now? A.—Not in Ontario.

Q.—Any place? A.—We are selling some in the North West.

Q.—Why are you not trying to sell in Ontario now? A.—For the reason that we sell it much quicker up there.

Q.—Where? A.—In Manitoba.

Q.—Mr. Wilson's letter to you advised you of the Ontario Act? A.—Yes.

Q.—Whereby you would be required to set out in your prospectus a great many things which are not in this prospectus? Was that not the real reason why you were not trying to sell in Ontario? A.—No, we never sold anything in Ontario for a year. We were distributing our stock all over the Dominion.

Q.—That would be just about the time—for a year? A.—The law would come in force in April.

Q.—For a year prior to 1906 you mean? A.—Yes.

Q.—Why did you get Mr. Wilson's opinion? A.—Well, I do not think I asked for his opinion. He wrote his own opinion, hearing we were getting out a new prospectus.

Q.—Was that not being considered at the time? A.—No.

Q.—No discussion of selling stock in Ontario? A.—No.

Q.—Or the effect of this new Act passed by the Ontario Legislature? A.—No.

Q.—If you were selling stock in Ontario under Mr. Wilson's advice to you, you would have been bound to indicate that transaction regarding your capital stock? A.—Yes.

Q.—You knew that? A.—Yes.

Q.—That was present to your mind? A.—Yes.

Q.—If that was looked upon as a fair requirement under the Ontario Act, why did you not put it in your prospectus anyway? A.—Well, these are old prospectuses.

Q.—You made them from time to time? A.—We have never issued any new ones since. On the 21st March at our annual meeting that was got out.

Q.—What year? A.—1906. We have not had any new ones out since. If we were to get new ones out we would put everything in. It does not make any difference where they would go:

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Q.—Is it right to say you have never had any discussion as to the necessity of setting out that contract in the prospectus? A.—No.

Q.—Coming back to the selling of stock—because it seems to have cost your company a very large sum of money—will you indicate to me the nature of your arrangement with the different agents and tell me who the agents were? A.—They got \$5 a share.

Q.—Each agent got \$5 a share? A.—Yes, some got \$6.

Q.—Why would some get \$6 and others \$5? A.—Take the North West, it costs more to sell stock out there.

Q.—Would it not be better to sell it in Ontario? A.—You cannot sell stock here.

Q.—You must get away out to the North West? A.—Yes, or down to the Maritime Provinces or Montreal or Quebec. Ontario is flooded with mining stocks—Cobalt—you cannot sell anything here.

Q.—Cobalt is too close to Toronto? A.—Yes, that is it.

Q.—What other arrangement had you as to price? \$7 a share? A.—Well no, we had not anything higher than \$6.

Q.—Never \$7? A.—No.

Q.—Had you not an arrangement regarding subscriptions that might come in from shareholders in other companies to pay a higher commission? The Century Life? A.—No,—oh that was before the company was incorporated.

Q.—I mean before the company was incorporated? A.—Yes, that was never carried out.

Q.—I see a draft contract in the minutes which was approved, by Mr. Stevenson, whereby he was to be the sole agent. Was that carried out? A.—Carried out till the company was incorporated, and then he was dismissed.

Q.—Did he continue to sell stock afterwards? A.—No.

Q.—There were commissions paid to him afterwards. Would that be on previous business? A.—On previous business.

Q.—What remuneration was Mr. Stevenson to receive? A.—He was to receive \$4.90 a share and pay all the expenses.

Q.—How did that odd amount \$4.90 come to be fixed? A.—Well, we were paying rent for the building, and I did not want it to cost over \$5 a share. I did not want the expense to be over \$5 a share.

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Q.—You wanted to be able to keep expenses down so that you could say it did not cost you \$5 a share? A.—Yes.

Q.—That is the reason of the \$4.90 arrangement? A.—Yes.

Q.—Did any person get anything on Mr. Stevenson's stock besides Stevenson himself? A.—I do not know of anyone. He had agents under him.

Q.—But in addition to the commission of \$4.90 a share? A.—I do not remember of anyone. I do not think there is any record of that.

Q.—Did Mr. Ostrom? A.—No, I did not. The Directors voted me \$3.50 a share, but they cut his down. You see he did not sell any stock at all. I sold all the stock and he held me up under the contract.

Q.—Let us understand the transaction? A.—Stevenson entered into a contract with the Monarch Life, or the supposed Monarch Life, which was in course of organization.

Q.—Stevenson entered into a contract with the provisional directors? A.—With the incorporators.

Q.—With the promoters? A.—With the petitioners, to sell all the capital stock of the Monarch Life Assurance Company at \$4.90 a share, and to pay all expenses except the rental of office. He made no efforts to sell the stock, or did not sell a share.

Q.—Still he was paid some commissions? A.—He was paid some commissions under his contract, but at the first provisional Directors Meeting after we were incorporated, you will see by the minutes that there was some discussion took place as to Stevenson's contract with the company. They offered him \$1.40 a share, and then they gave me for the reason that I procured all the subscriptions, they gave me \$3.50, and that made it equal to \$4.90.

Q.—Was that arrangement carried through? A.—It was carried through, yes.

Q.—So that on the stock which was sold prior to incorporation you got \$3.50 a share and Mr. Stevenson got \$1.40 a share? A.—Well, I paid all my expenses out of that.

Q.—All your travelling expenses? A.—Yes, everything.

Q.—All your travelling expenses? A.—Yes, agents and everything.

Q.—That applies to the stock that was sold before the assent was given to the Act of Incorporation? A.—Yes.

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Q.—Did any other persons besides yourself and Mr. Stevenson get any commission? A.—No directors got any commission, no shareholders or anyone.

Q.—Did you have agents working under you? A.—I did—working for the company.

Q.—What were they paid? A.—Well, we kept it down to \$4.90 a share.

Q.—How much did they get? A.—That is all they got.

Q.—Did you pay them \$4.90? A.—We charged it up to Stevenson, and unless he paid them—

Q.—I was asking you if you had any agents working under you? A.—Not any contract.

Q.—Were you paid \$3.50 on all the shares that were sold? A.—Up to the time of incorporation; that is when payment was made. Supposing the subscriber did not pay, I did not get anything.

Q.—Stevenson had some agents working under him? A.—Yes.

Q.—Do you know what he paid them? A.—I do not.

Q.—You would get \$3.50 on the shares they sold, would you not? A.—Yes—no, not on the shares they sold.

Q.—You told me you got \$3.50? A.—On my own shares that I sold myself personally.

Q.—Mr. Stevenson getting \$1.40 on the shares you sold? A.—Yes.

Q.—He got \$4.90 on all the shares his own sub-agents sold? A.—Yes.

Q.—You would get nothing from that? A.—No.

Q.—Have you told us the whole arrangement before incorporation, because the main part of it, of course, was after incorporation? A.—As far as I can remember.

Q.—What was the arrangement made after incorporation when you discharged Mr. Stevenson and decided on some other plan? A.—Well, I was then appointed Manager.

Q.—By the provisional board? A.—Yes.

Q.—Had you been drawing a salary prior to that? A.—I was drawing a salary as Vice-President.

Q.—Before incorporation? A.—From the start.

Q.—That would be from what month? April or March, 1904? A.—March 4th, 1904.

Q.—What was your salary at first? A.—\$3,000 a year.

Q.—Payable monthly—supposed to be payable monthly? A.—They did not say when it was to be paid.

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Q.—That was your compensation, \$3,000 a year? A.—Yes.

Q.—If you were getting \$3,000 a year by what right did you take \$3.50 on the shares of stock that were sold? What were you doing for your \$3,000? A.—I was selling the stock and paying all the expenses of the company.

Q.—You were getting \$3.50 on each share that you sold? A.—Well, that arrangement was not made with me until the Directors of the company knew that Mr. Stevenson did not sell any stock, and I sold it all myself; they took it from him and gave it to me.

Q.—So that besides your salary you got \$3.50 on each share? A.—Yes, I got that, but my expenses, I guess, are more than that, procuring subscriptions.

Q.—To whom was the money paid when it was paid by the shareholders? A.—To whom was it paid?

Q.—Yes, was it paid to a trust company? A.—Paid to the Union Trust Company until we were incorporated on the 19th July.

Q.—And on the incorporating the money was transferred from the Union Trust Company to the Monarch Life Assurance Company? A.—Yes.

Q.—Tell us the arrangement that was made after incorporation. What was your salary to be? A.—\$150 a month and \$5 a share commission on all stock I sold myself.

Q.—\$150 a month and \$5 per share? A.—Yes.

Q.—And how long did that arrangement last? A.—It lasted until March 1906, 20th March.

Q.—20th March, 1906. What change was made on the 20th March, 1906? A.—I took a five-year contract.

Q.—Have you that contract? A.—I have it. This is it.

Q.—This agreement is dated 21st March, 1906, made between the Monarch Life Assurance Company and T. Marshall Ostrom, and it provides as follows in the second paragraph:—

“The Manager agrees with the company to devote his whole skill, time, ability, and energies in the interests of the company, and the company agrees to pay him \$5,000 per year while he so remains and works in the interests of the company, and in addition thereto \$1 for each \$1,000 of insurance affected in any year,” etc.

What do you understand the second part as to remuneration provides, Mr. Ostrom—that you are to get \$1? A.—Well, if the insurance is in force; supposing we get \$1,000,000 of insurance this year under my



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management; I would get \$1,000, but not until the second premium was paid.

Q.—You get nothing at the end of the first year? A.—No.

Q.—At the end of the second year, if the second premium is paid, you get \$1 on each \$1,000 of that insurance? A.—Yes.

Q.—Do you get that annually? A.—No, it dies.

Q.—Having been paid the \$1 on the policy of \$1,000, that is all you get? A.—Then—that is all I get then.

Q.—When do you get any more? A.—In case of resignation or death.

Q.—That is not under this clause? A.—No.

Q.—That is under another clause? A.—Yes.

Q.—After you have been paid on the 31st December you get \$1 on each \$1,000 of insurance after that? A.—That has to be new business.

Q.—Yes, increase of new business? A.—Yes.

Q.—Then the next paragraph provides:—"It is further agreed by and between the parties that this contract of hire and service shall remain in force for the period of five years" and so on. (Reads.)

Who thought of putting the limit of \$25,000 on it? A.—The President and myself.

Q.—Which one thought of it? A.—I thought of it.

Q.—You thought it would be unfair that you should, under this contract, after you had ceased to be Manager, call upon them to pay more than \$25,000 in one year? A.—At any time while I was Manager.

Who thought of putting the limit of Mr. Wilson, our solicitor.

Q.—And it was submitted to the directors? A.—To the directors, and confirmed by the directors and by the shareholders.

Q.—Just as it stands here? A.—Yes.

Q.—Under this clause what do you understand you are to receive, in your own language? A.—Which one?

Q.—After you resigned or ceased to be employed by the company? A.—Well, I get a dollar a thousand on all insurance that is in force under my management, so long as that insurance remains in force and on the books of the company.

Q.—That is to say while you are employed and while you are giving your services you get \$5,000 a year? A.—Yes.

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Q.—And a dollar a thousand on the new business written, when the second payment is made? A.—Yes.

Q.—And after you cease to be employed by the company, you are to get one dollar per thousand on all the business written while you were manager of the company? A.—That is right.

Q.—And you or your heirs, executors, administrators and assigns get that so long as that insurance remains in force, one dollar a thousand? A.—Yes, that is right.

Q.—So that if you ceased to be the manager of the company to-day, the man that pays \$19 a thousand will be paying one dollar of that to you as long as his insurance remains in force? A.—Yes.

Q.—But that is limited to \$25,000 a year. "And it is further agreed by and between the said parties that in order to ascertain and settle what amount of such insurance may be in force at any time upon which such dollar per thousand shall be payable" (reads to "that are entered during business hours.") So that besides your remuneration by way of salary and on the basis of one dollar per thousand of insurance, you are to be paid an agent's commission on business that you write outside of business hours, where your canvassing does not conflict with the canvassing of any of your agents? A.—Yes.

Q.—I suppose that that agreement has not been in force long enough for you to be able to say what it means in dollars and cents to you? A.—Yes, sir.

Q.—Just made a month or two ago. (Agreement filed as Exhibit 411.) Is that the only written agreement you have with the company, I mean as to salary? A.—Yes, sir.

Q.—I am not dealing at all with copyright. Is this the minute that you refer to? A.—It was confirmed at a provisional directors' meeting, and then by the shareholders. Look at the shareholders on the 31st March. This is it, Mr. Tilley.

Q.—You refer to a minute of the directors' meeting of the 21st March, 1906? A.—Yes.

Q.—At page 148? It reads in this way, "that T. Marshall Ostrom, be Manager of the company upon the terms agreed upon by the provisional directors and reduced to writing by agreement dated 31st March, 1906, subject to such increase to Mr. Ostrom as may be agreed upon by Mr. Ostrom and the Board of Directors." Now, was that agreement that I have

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read before the directors at that meeting? A.—Yes.

Q.—Was it read over? A.—Yes. And the shareholders as well.

Q.—Then the document dated 21st March was actually produced? A.—Yes.

Q.—Then what does this mean at the end? "Subject to such increase to Mr. Ostrom?" A.—At that time they thought of going to Winnipeg and I think one of our directors said it would cost more for a manager to live in Winnipeg than it would here.

Q.—More than \$25,000? A.—Well, however they had it stipulated in the minute that if I went to Winnipeg they would increase it.

Q.—There might be an increase in the remuneration if you moved to Winnipeg? A.—Yes.

Q.—And you say that document was presented to the directors and also to the shareholders? A.—Yes.

Q.—Was this signed by Mr. Gordon? A.—Yes.

Q.—Or is it stamped? A.—No, it is signed.

Q.—Have you a stamp for Mr. Gordon's signature? A.—We have now; we had not at that time though.

Q.—When did you get it? A.—A month or two ago.

Q.—And this was March, 1906? A.—Yes.

Q.—Why was it signed by T. H. Graham in the first place, President, as well? A.—Well, I wanted it signed that way.

Q.—It has the corporate seal on, the President's name on, your name as Managing Director, and then you get the first Vice-President? A.—Well, my own solicitor advised me to have it.

Q.—Who is your solicitor? A.—Senator Kerr.

Q.—When did he advise you that? A.—When it was done.

Q.—After it had been signed by Mr. Gordon? A.—Yes, after.

Q.—Why did he tell you that you had better get the first Vice-President too? A.—I don't know. He gave no reason for it. He said I had better have it signed.

Q.—Why? A.—Because I was a party to it and I was an officer of the company.

Q.—But you have the President and you have it on the minutes? A.—I know.

Q.—What was discussed between you? A.—Nothing. I submitted the contract to him.

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Q.—After it had been signed? A.—After it had been signed by Mr. Gordon.

Q.—I suppose it had been submitted to him before it was signed as well? A.—No.

Q.—Didn't he go over the terms of it? A.—No. Left it all to our solicitor, Mr. Wilson.

Q.—Why did you take it to Senator Kerr afterwards? A.—I just wanted to see if it was all right.

Q.—To see if it was executed properly? A.—That was it.

Q.—You wished merely to know whether it was properly executed? A.—Yes.

Q.—Did you look after the terms yourself? A.—Yes.

Q.—But you wished to know whether there was any legal formalities? A.—Yes, so that there was no doubt.

Q.—Do you say this document, as it stands here, was drawn by Mr. Wilson in this language? A.—Yes.

Q.—Did Mr. Wilson put in the clause that the company must prove in open court some impropriety on your part before it could discharge you? A.—He must have.

Q.—"Unless the conduct of the party of the second part, proved in Court, is such as to cause the party of the first part to ask for his resignation?" A.—I drafted the contract out and I know I wanted that in.

Q.—Will you tell me what you understand to be the routine the company must go through to dispense with your services? A.—It wouldn't have to do that, Mr. Tilléy. If they wanted to dispense with my services I would soon put in my resignation; it would not have to go to any Court.

Q.—Do you make that as an offer? A.—No I don't. I say when they get dissatisfied with me, when my conduct is so that I am not capable of holding the position, they won't have to go to Court with it.

Q.—Will you consent to a clause being added to this contract that when the directors ask you for your resignation, you will give it? A.—No.

Q.—Why do you make such a statement? A.—Well, I may say it is—

Q.—Without prejudice? A.—Yes.

Q.—Not to be acted on? A.—Yes.

Q.—What would they have to say if you were not in that humor when they approached you? A.—They would have to go to Court if I thought it was any underhanded work.

Q.—But if they were dissatisfied? A.—They would have to show me the dissatisfaction, prove it to me reason-

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ably, they would not have to go to Court.

Q.—If you insisted you could compel them to prove some wrongful act? A.—I certainly could.

Q.—Or some incompetency on your part, in court? A.—I will tell you why I had that put in. The organizer of a company will work it up to a certain pitch and then some friend comes in and wants to be Manager of it at a great big salary after you have done all the hard work.

Q.—The idea is that when a man starts out to incorporate a company he incorporates it generally for the purpose of getting a position himself, does he not? A.—Well, as a rule, yes.

Q.—And having succeeded in incorporating it, he wants to make that position secure? A.—That is right.

Q.—And that is what you were trying to do under this contract. I would dislike having to construe this part as to proving it in open court and I do not see how that got into the contract.

MR. KENT: Could you be dismissed for anything short of murder, under that contract? A.—That would be for the Judge to say, I suppose, or the Court.

Q.—In your own opinion? A.—In my own opinion, oh yes.

Q.—What crime short of murder? A.—Supposing I was to drink or was not to conduct myself properly.

Q.—Then if you became a drunkard that would be sufficient? A.—Yes.

MR. TILLEY: That fact would have to be proved in Court before you would be a drunkard. A.—Well, that would not be hard if I was a drunkard.

Q.—I do not know. After the five year period what happens? A.—I don't know.

Q.—Does the contract cease? A.—Yes.

Q.—Does your engagement cease? A.—Well, they have a right to renew it, of course.

Q.—Supposing the company does not care to renew it? A.—Well, I am out.

Q.—Do you get the dollar a thousand? A.—Yes.

Q.—Then you have a clause here that has been in at least one other contract, which stipulates that it must be brought before the shareholders. That is to say, not satisfied with making the company prove it in Court, you still have the right to go

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to the shareholders. A.—The privilege, yes because they elected me.

Q.—Oh no, I do not think I would give any reason for that, Mr. Ostrom. The shareholders may be an entirely different body. A.—Yes.

Q.—Now you have a provision in your charter whereby both the shareholders and the policyholders vote. A.—Yes.

Q.—And they can both vote by proxy. A.—Yes.

Q.—Have you any proxies? A.—Yes.

Q.—What proxies have you? A.—If Mr. Van Sickle will bring me the proxies.

MR. LANGMUIR: Where is your office Mr. Ostrom? A.—In the Queen City Chambers, Sir.

MR. TILLEY: Is this the form of proxy you use? A.—Yes.

Q.—Have you a blank form that you could let me have? A.—I think they are in the by-laws, the same form.

Q.—I would like to put in a blank form. (Filed as Exhibit 412.) Are these proxies I am looking at now, proxies by policyholders or shareholders? A.—Shareholders.

Q.—Have you any proxies from policyholders? A.—No.

Q.—Have you ever attempted to get any? A.—No.

Q.—When did you get these proxies from shareholders? A.—They come in at all times.

Q.—I see you have some here where your name is printed in and others where the name is written in. A.—Yes.

Q.—Did you get a proxy when you were selling the stock? A.—No.

Q.—Why did you want a proxy as early as 17th July, 1905, or 24th June, 1905? A.—As far as I remember there was a meeting of the provisional directors.

Q.—A meeting of provisional directors would not require proxies from shareholders? A.—Well, I don't know why.

Q.—Or March, 1905? A.—Sometimes the agents got them when they were out.

Q.—The most of these are to you personally. Do you know how many you have in your own name? A.—No never counted them. Never used them.

Q.—I suppose there has been no occasion yet when you would require to use them. A.—No. Well, I might have used them at any meeting if I had wished.



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Q.—But there was no occasion? No vote? A.—No.

Q.—During the currency of that agreement have you been devoting your time to anything else? A.—No.

Q.—Not to the Monarch Bank? A.—Only except directors' meeting after five o'clock.

Q.—Do you get any remuneration? A.—No.

Q.—Are you organizing the Monarch Bank yourself, are you promoting it? A.—My name stands that is all.

Q.—You are the promoter of it? A.—My name stands. There is a man looking after it.

Q.—A man engaged by you? A.—By the Bank, not by me.

Q.—Do you get paid commission on stock sold of the Monarch Bank? A.—Yes, I certainly do.

Q.—And a salary? A.—No salary.

Q.—No salary in connection with the Monarch Bank? A.—No.

Q.—Do you think that that is in accord with your agreement whereby your whole time and attention is to be given to the Monarch Life for the salary you are to draw? A.—Yes, I give all the time and attention to the Monarch Life until from eight o'clock until six and seven and twelve o'clock at night. I give more than my regular time. Twice it.

Q.—Besides the commission and salary you have told us about, did you not get some additional commission? A.—I got 50 cents a share on some. I think this is the contract; \$150 a month and \$5 a share on all business I procured personally. And 50 cents a share on all that agents procured.

Q.—So that when the \$150 a month was paid to you, you got a commission of \$5 a share on your own stock? A.—If I sold it.

Q.—On your own stock that you sold? A.—Yes.

Q.—And you got 50 cents a share on all stocks sold by other agents? A.—Yes.

Q.—Why were you paid 50 cents a share on stock sold by other agents? A.—I guess the directors didn't think \$150 a month was sufficient. And if the business did not come in I told them I did not want any more money. If it did I wanted an increase, and they took that way of doing it. It was an incentive to get more shares.

Q.—Were these provisional directors all friends of yours? A.—No, I never met them until I came here.

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Q.—Never met them till you had them associated with you? A.—No.

Q.—Did they take much interest in the affairs of the company? A.—They did.

Q.—Before the license was taken out? A.—Oh yes.

Q.—Are they continuing as directors, all of them? A.—No, they are not all continuing. Three of them are out.

Q.—What three? A.—William Scott, Principal of the Normal School, was a provisional director. The Hon. James Cochrane died.

Q.—Then you put in a statement to the Department, setting out the cash receipts and payments, as required by the Department? A.—Yes. (Filed as Exhibit 413.)

Q.—That indicated the condition of the company as at the 31st May, 1906? A.—Yes.

Q.—At that time the amount paid on capital stock was \$67,180. And the amount paid by way of premium on capital stock was \$90,251.36. At what premium was the stock issued? A.—\$25 a share.

Q.—And under the subscription form what was payable on the stock and premium? A.—When the subscriber gave the application there was \$5 paid on stock and \$10 on premium, and two months thereafter \$5 on stock and \$10 on premium, and twelve months \$5 on premium.

Q.—So that the result was that at the end of the year there was 10 per cent. paid on the stock itself and \$25 by way of premium on each share? A.—If they all paid up, yes.

Q.—That is you had \$2.50 of premium in the company for every \$1 of capital? A.—Yes, the reserve.

Q.—Why did you issue it at that high premium? A.—To create a reserve and to prevent impairment of the capital stock.

Q.—And provide money for organization? A.—Yes.

Q.—When you received the money into the treasury did you credit it just in the way in which it was paid? A.—Yes. Not at first, we didn't; we did after.

Q.—What different way of crediting it did you use at first? A.—Well, it went all into one account. We kept it separate in our books but it into the bank in one account. We kept it separate in our cash book. And then we kept a stock account and premium account in the bank after we got our regular Board.

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Q.—Did you not use the money first to pay the 10 per cent. on the stock? A.—No.

Q.—And justify the balance on the premium? A.—No.

Q.—Take some of your directors; here is a director who has 50 shares and his stock was paid, that is the 10 per cent., \$500? A.—He had paid \$10 on the stock and \$10 on the premium. He made a special request.

Q.—Was that in accord with Mr. Brunet's subscription form? A.—No, he paid up all on his stock and \$500 on the premium. He paid more than was due at that time. He only really had to pay \$750, but he paid \$1,000 at that time.

Q.—In order to pay up his stock? A.—Yes.

Q.—He still had time within which to pay the premium? A.—Yes.

Q.—The Charter provides that the directors must have 10 per cent. paid on stock.—Had Dr. Perfect paid his 10 per cent. on stock? A.—Yes.

Q.—Where is your stock ledger? A.—Mr. VanSickle will show you that.

Q.—Here is the Statement you sent into the Department. Dr. Perfect 50 shares, nothing paid? A.—That Statement is correct.

Q.—The sworn Statement to the Department is right? A.—Yes.

Q.—So that there was nothing paid by Dr. Perfect on the shares at the time he was appointed and acting as a Director. Is anything paid since?

MR. VANSICKLE: Yes, July 23rd, he paid \$500.

MR. TILLEY: Dr. William Rodgers, has he paid? A.—No.

Q.—He is on the Board? A.—Yes, he was elected on the Board on the 21st March and no one has taken any objection.

Q.—Was he elected in the place of any other director? A.—No, we have 25 directors.

Q.—And he is one of the 25? A.—Yes.

Q.—Has Mr. Andrew Carruthers paid? A.—I think he had not paid any at that time. I think he has \$250 on stock. I am not sure.

Q.—So that that clause in the Act of Incorporation does not seem to have been regarded? A.—Well, it was regarded by me. The understanding when those gentlemen were elected was, that they were to qualify at once.

Q.—Have you called upon them to qualify since? A.—Yes, several times.

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Q.—And have they refused to do so? A.—No, they don't refuse, don't say anything.

Q.—So that your total cash receipts amounted to \$162,114.35, up to May, 1906 (How much did it cost the Company to get in that money? A.—It cost them \$8.50 a share.

Q.—Tell me in a lump sum what it cost the Company to get in \$162,114.35 of cash? A.—Mr. Van Sickle will give the amount.

Q.—Your book-keeper says that the cost of getting in that \$162,000 was \$59,299, but I think it was more than that. At any rate put it in the neighbourhood of \$60,000 to get in \$162,000. A.—No. The getting subscribed nearly a million.

Q.—I am regarding the cash you received; you took in \$162,000 and you paid out \$60,000 of it, leaving about \$100,000 in the treasury, that is to get the \$100,000 in the treasury, \$60,000 has been taken in addition from the shareholders. A.—To get \$900,000 worth of stock subscribed it has cost that \$60,000.

Q.—Yes, there has been some subscribed stock besides. A.—That means that the company has stock subscribed to the amount of \$900,000 nearly a million, for that cost.

Q.—That is about 40 per cent. of the cash you got in. A.—Well, if you count the cash we got in.

Q.—It is about 8 or 9 per cent. A.—Eight and a half per cent of the amount subscribed.

Q.—And about 40 per cent. of the actual cash received was paid out in expenses. A.—Yes.

Q.—How much of this \$60,000 did Mr. Ostrum get up to the 31st of May? A.—Just what my commissions

Q.—Commissions and salary. A.—Whatever my contract called for. I think about \$18,000.

Q.—Oh no, you are too modest. A.—How much is it, Mr. Van Sickle? Two years work I know. It may be \$36,000; I don't know. I wish it was.

MR. VANSICKLE: \$20,000.

MR. TILLEY: How do you make that up?

MR. VANSICKLE: Commissions, \$14,896.

MR. TILLEY: Does that include the \$7,000 commission on his \$140,000? A.—I did not take that.

Q.—You took that for a time. I just want to know if it is counted. A.—No.

Q.—That is when you first took the allotment of \$50,000 of stock for your

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copyrights, you charged the company \$7,000 commission for selling that stock to you, that is what you did at first? A.—Well, the accountant put it through the books that way.

Q.—And it was kept in the books that way, notwithstanding the matter being discussed several times, was it not? A.—No, I objected to that strongly and I moved a resolution to remove it and return it back to the company.

Q.—The commissions would amount to about \$16,000, and then the salary, how much, Mr. Vansickle?

MR. VANSICKLE: \$5,791.67.

MR. TILLEY: Any other items? There is a credit to him "re George Stevenson" of \$1,152.02. A.—I will explain that to you.

Q.—Yes? A.—Mr. Stevenson owed a lot of liabilities and the company was liable for them.

Q.—The Monarch Life? A.—Yes.

Q.—Why? A.—Under its contract. They were going to sue us any way and the directors decided that as I offered him for any commissions that were coming to him, I would pay off his liabilities and take his commissions, which I did.

Q.—You paid his liabilities? A.—Yes.

Q.—Tell me what those were? A.—About \$700 or \$800.

Q.—Liabilities to whom? A.—Printing, rent.

Q.—Printing of what? A.—Printing prospectuses; advertising in newspapers in Toronto and Montreal; they were pretty heavy. Rent, stenographer, light, etc. Such things as that.

Q.—Those would be paid and charged to you, would they? A.—Charged to me, yes.

Q.—Charged to you in the books? A.—Oh no, I paid that right to him.

Q.—Where have you any account showing what you paid? A.—I don't know, but I paid Stevenson myself and then the commissions went to me. The company did not pay this.

Q.—The company did not pay this claim at all? A.—No.

Q.—And then you got \$1,102 of Stevenson's commissions and paid out how much? A.—I cannot remember but I think it was about \$700 or \$800.

Q.—Can you produce any receipts? A.—No, I don't think I can. It is two years ago.

Q.—Did you get any receipts? A.—I think I have. The thing was wound up and I don't know whether I kept them or not.

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Q.—But you are a man of accurate habits, a bank promoter, a banker would keep them all. A.—I know, but I couldn't lay my hands on them just now. It would take me a few days to think where they are.

Q.—Can Mr. VanSickle tell you anything about the payment of them? A.—Yes, the whole thing is on the books there. Stevenson's account. But he could not tell me anything to do with the company at all. I paid Stevenson's liabilities myself.

Q.—That was before Mr. VanSickle's day, he says. Then all the information we can get now is that the claims were some \$700 or \$800? A.—Yes, that is all from memory.

Q.—Adding those amounts together, the \$23,708.37 for commissions; \$5,333 for salary, which is different somewhat from Mr. VanSickle's amount, probably because the last month was paid to you in advance; and \$1,152.02 for the Stevenson items and \$110.15 for travelling expenses, makes \$30,303.87 or one-half of the \$60,000 paid out for organization. Included in that of course is the \$7,000 which you afterwards reversed, bringing it down to about \$23,000 that you received out of that money in two years. Is that right? A.—That is right.

Q.—That is rather an expensive way of carrying on business for a company just starting, before it has got its license even? A.—No, you see we employed no help whatever, I was doing all the work myself.

Q.—There was no room for much help if you got \$23,000? A.—Well, the number of shares I sold would not be \$5 a share.

Q.—Did you employ agents to sell those shares? A.—Not any that I sold myself. Any that came to me I sold myself.

Q.—All this commission item was for stock you sold personally? A.—Yes.

Q.—And you did not disburse any of it at all? A.—No, except my travelling expenses.

Q.—The travelling expenses were paid by the company? A.—Not when I was selling stock.

Q.—A very large item appears every month for your travelling expenses, not included in this statement at all? A.—When I went specially on the company's business, but not at that time.

Q.—Tell me what business the company had at that time that you could go on except selling stock? A.—They were organizing all over the



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Dominion. We are organized now except in two provinces. We were getting agents.

Q.—Did you not sell stock when you were doing that? A.—I have not sold any stock for the last 7 or 8 months. I have been organizing the insurance fields for the company.

Q.—But I am referring to expenditure before that time; there were expenditures all along? A.—I don't think you will find anything but a very few items, when I have gone through Montreal or Halifax to get a director or something.

Q.—How much have you taken out in actual cash of that amount? A.—I don't know. How much did I have altogether, did you say?

Q.—\$23,000? A.—Well, I took \$13,000 out and left \$10,000 in, for expenses.

Q.—How do you figure that out? A.—Because I have paid \$10,000 on my stock.

Q.—How much stock have you? A.—600 shares subscribed for.

Q.—Is that all the stock you have got? A.—No, I have more allotted to me under the copyrights, 1,400 shares.

Q.—How much stock have you altogether? A.—That would be 2,000 shares.

Q.—How much is paid on it? A. 10 per cent. is paid on the stock on the \$600 and nothing paid on the premium yet. 10 per cent. is paid on the stock of the 1,400 and 25 on the premium.

Q.—You owe the premium on that stock? A.—On the 600 shares?

Q.—Why is it not paid? A.—When I subscribed for it it was done to assist the company. We wanted to make up a certain number of shares and I intended to sell it, I had made an agreement with the Provisional Board that when the stock was sold the premium would be paid.

Q.—And in the meantime it will not be paid? A.—Well, just as soon as I sell it. In the meantime it will not be paid until I sell the stock.

Q.—So that you have credited \$10,000 of your cash for commissions, and salary, and so on, on your stock, but you have not paid the premium on your stock? A.—I think it is \$11,000. I paid some of the premium.

Q.—I am taking it in round numbers? A.—How much premium have I paid on the stock, Mr. Vansickle.

MR. VANSICKLE: \$6,000 was applied on stock and \$4,000 on premium.

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MR. TILLEY: Whereas your premium should amount to \$15,000, \$11,000 still owing on premium? A.—Yes.

Q.—And that 1,400 shares, where did that come from? A.—Sale of copyrights.

Q.—Under the resolution that you have in the minutes this year, 1906? A.—And they have been in the minutes from the beginning of the company.

Q.—They have been in and out? A.—There was a stock certificate issued from the first Annual Meeting.

Q.—These are your stock certificate books? A.—Yes.

Q.—Who has charge of them? A.—The Secretary.

Q.—Who is the Secretary? A.—Mrs. Fife is Secretary and Treasurer.

Q.—Is Mrs. Fife a shareholder in the company? A.—Yes.

Q.—How many shares? A.—200.

Q.—Has she paid anything on them? A.—Yes.

Q.—How much? A.—What has she paid, Mr. VanSickle?

MR. VANSICKLE: Mrs. Fife has 200 shares and has paid \$2,000 on stock and \$1,500 on premium.

MR. TILLEY: Was that paid by Mrs. Fife or is that a payment of yours, Mr. Ostrom? A.—By Mrs. Fife.

Q.—Is that stock held for you in any way? A.—No.

Q.—Nothing to do with you? A.—No.

Q.—Then you issued a certificate to yourself for 400 shares which was numbered 2, Mrs. Fife getting number 1 for 100 shares. Is that right? A.—Yes.

Q.—Then will you tell me what these certificates that are left blank here mean? A.—Agents want to take them out to show the prospective shareholders.

Q.—What they will get for their money? A.—Yes.

Q.—Show the seal and so on? A.—Yes.

Q.—And then when an agent wants a form of certificate to show to the purchaser of shares the fancy document he gets, you tear one out of the certificate book and hand it to him? A.—As a rule.

Q.—Nothing is put here to show what became of it and what use was made of it, just torn out and handed to him? A.—I don't know. They got their orders to mark where they have gone to.

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Q.—Who gets the orders? A.—The accountant gets orders or whoever is in charge of the office, and gives them out.

Q.—From your position as a banker, you would say that is a rather rough and ready way of keeping a stock certificate book, would you not, Mr. Ostrom? A.—Well, I certainly would.

Q.—You would condemn this, if you knew of it? A.—I certainly would.

Q.—Did you know of it before? A.—No.

Q.—Then, of course, you probably cannot be held responsible for that. Then on June 5th, 1906 you issued some stock to yourself. A.—Yes.

Q.—I suppose you made out those certificates yourself? A.—No.

Q.—You gave instructions for them to be made out? A.—Yes.

Q.—And you went back to certificate book, No. 1, although you had opened up certificate book, No. 2. A.—Yes.

Q.—Can you tell me why that was done? A.—I don't know.

Q.—You issued then 50 certificates for 10 shares each, numbered 26 to 75; and 76 to 95, that is 20 certificates for 20 shares each. How many shares would that be? A.—That gets it up pretty nearly to the 1,400.

Q.—Another 900 shares. Then you went from that book into the middle of the other certificate book to issue the balance. Do you know why that was done? A.—No.

Q.—Some person must have had instructions to jump around this way. A.—Not from me.

Q.—You go then to the certificate book No. 2 and you pass over— A.—This was used up, wasn't that the reason?

Q.—You pass over certificates commencing with No. 165, right over to 175 and then issue the balance of your 1,400 shares in certificates 175 to 184, that is 10 for 50 shares each. That would be the other 500 shares, making 1,400 shares in all. Can you tell me why that was? A.—No, I don't know anything about it.

Q.—It must have been done under your instructions? A.—No.

Q.—No book-keeper or accountant would issue those certificates in that way. A.—He had no orders from me.

Q.—Was he able to surmise what you would want so readily? A.—No, he had no special orders, I just asked him to write out the certificates, that is all he ever got from me.

Q.—Were those certificates signed by Mr. Gordon? A.—Some of them

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and some of them by the Vice President.

Q.—Will you let me see them? A.—I don't know whether I have my own here or not.

Q.—You produced certificates from No. 85, 26 to 75 do not seem to be here at all. Those would be the certificates for the 10 shares. What became of those? A.—Well, I didn't bring any more down.

Q.—I asked you for all. Have you got the others? A.—I haven't them with me.

Q.—Where are they? A.—In the vaults.

Q.—Are they endorsed? A.—No.

Q.—Have they been transferred? A.—No.

Q.—Have you agreed to hold them for any person else? A.—No.

Q.—You had a law suit with Mr. Mackenzie? A.—Yes.

Q.—Why did Mr. Mackenzie sue you? A.—Well, at the outset of the company, Mr. Stevenson, the man who was broker for the company, at that time was going to have the company financed without calling on the shareholders. He said if I would give him an interest in the copyrights.

Q.—Give Stevenson an interest in the copyrights. A.—Yes, he said that he would arrange with the late T. P. Copy to finance the company, or a bank. So that we would not have to use any of the subscribers' money.

Q.—Going to use borrowed money for the purpose? A.—Yes. He was never able to raise the money, although I gave him an agreement to show Mr. Copy; and foolishly I didn't have it returned; he never was able to raise the money and it was canceled by verbal cancellation.

Q.—That is your agreement with Mr. Stevenson. A.—Yes, but he transferred that agreement to Ewan Mackenzie for some money he owed him. \$2,500, as security, and Ewan Mackenzie sued the company and myself.

Q.—What did he sue you for? A.—For \$6,000.

Q.—As the value of the interest in the copyrights? A.—Yes.

Q.—What interest did you give Stevenson in the copyrights. A.—One quarter.

Q.—And he sued you for \$6,000, and how did you settle? A.—It was settled for \$2,500 and paying the costs.

Q.—\$2,500 in cash? A.—In my stock.

Q.—You gave him \$2,500 of your stock? A.—Yes.

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Q.—Paid up stock? A.—Yes, well, to that value, you know.

Q.—That was partly paid stock to the value of \$2,500 paid. A.—Yes.

Q.—For his quarter interest? A.—Yes.

Q.—That would make the whole copyrights worth \$10,000 stock on the same basis, if he had a quarter interest? A.—Yes. I don't know whether it was one quarter now. I will look at the papers. Here is the agreement with Stevenson and here is the settlement with Mr. Mackenzie.

Q.—These are both agreements with Stevenson and Mackenzie, and on the 7th March, 1904 you find a document dated that day transferring to Stevenson, in consideration of \$1 an undivided one quarter interest in interim copyrights for the Dominion of Canada for six certain forms of insurance plans. I suppose those are all the plans of insurance that you have copyrighted. A.—At that time.

Q.—“And also one quarter of the profits realised by me from any sale of such copyrights.” Under that document Stevenson became entitled to a quarter interest of any profits you would get on a sale of those copyrights. Then, by a document dated the 2nd March, 1905, Stevenson assigned his interest in the copyrights to Ewan Mackenzie. A.—Yes.

Q.—And you gave to MacKenzie \$2,500 of paid up stock as his share. A.—Yes, my own stock.

Q.—What stock did you give him? A.—I gave him the company's stock which comes out of my allotment.

Q.—When was the settlement reached with Mr. Mackenzie. A.—Doesn't that show there?

Q.—No. A.—It was some time in February, I think, of this year.

Q.—When was the stock delivered to Mr. Mackenzie? A.—Some time in February.

Q.—Will you show me from the book what certificates he got. A.—Is it in here, Mr. VanSickle?

Q.—Where did Mr. Mackenzie's certificates come from? A.—It was my own stock.

Q.—Were certificates issued to him? A.—Well, I don't know anything about that.

Q.—You ought to know. A.—I agreed to give him a transfer of \$2,500 of my shares to him. They have never been transferred on account of the Board of Directors not meeting.

Q.—They have not been transferred yet? A.—No.

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Q.—Then the stock still stands in your name? A.—Yes.

Q.—So in February you made a settlement with Mr. Mackenzie, whereby you were to transfer to him \$2,500 of my shares to him. They

Q.—And it has not been transferred yet. Then, I would like to get the balance of these certificates. These certificates that you do produce are signed by the Vice President and not by the President. Do you know how that happened. A.—I have not got them all issued yet.

Q.—I thought you told me you had. A.—No, they are not all signed.

Q.—By whom? A.—By the President or by the Vice-President.

Q.—Then the ones you have down at your office are not signed? A.—Some are signed and some are not.

Q.—How much remains to be signed? A.—I don't know. I could tell you that after dinner.

Q.—You cannot tell me now? A.—No, I cannot from memory.

Q.—Is that why you left them at your office? A.—Well, I didn't think you wanted them.

Q.—Why did you bring part and not all? A.—I didn't think you wanted them and I thought these would be sufficient.

Q.—We will take both answers and probably we will be able to make a choice of them. Why did you have Mr. Graham sign these and not the President? A.—Well, the reason is Mr. Graham always signs in the absence of the President for everything.

Q.—Was the President away? A.—Yes, he was away all the time.

Q.—You had certificates in the certificate book signed by the President? A.—Yes, when he comes down we have him sign them.

Q.—He signs them in blank? A.—Sometimes.

Q.—And keeps you supplied—why didn't you use those? A.—I used them for other people. I wouldn't have any of mine made out where he signs in blank. It would not be right. There is too many; he would be having too much responsibility. I wouldn't like him to sign them without he knew what he was signing. I wouldn't let them go unless I knew they were right.

Q.—Did you ever ask Mr. Gordon to sign your certificates? A.—Yes.

Q.—When? A.—He has signed some. He signed them before he went out to Winnipeg.

Q.—And has he signed any since? A.—Well, I don't know.



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Q.—Did he refuse to sign others?  
A.—No.

Q.—Why didn't he sign all? A.  
—Well, I had personal reasons.

Q.—Tell me what reasons you had?  
A.—Because I wanted to transfer them.

Q.—To whom? A.—I wanted to sell some of the stock and transfer it.

Q.—Are these certificates that are not here issued in your name and your name filled in? A.—I am not sure, I will have to bring them in.

Q.—We will have to leave that; in the meantime we will keep these we have and get the others afterwards. That question of issuing stock for the copyrights came up at the very first meeting of the directors, did it not? A.—Yes, on December 7th, 1904.

Q.—Away back in 1904, the 16th March, 1904; and the formal agreement was then submitted to the Committee that was organizing the company? A.—Yes, that was right from the outset.

Q.—You were endeavoring to have that put in as binding a shape as possible? A.—No, they were binding me just as much. They put it in trustees.

Q.—Afraid they might not be able to get the copyright for \$50,000? A.—They seemed like that.

Q.—Who was nervous on that point? A.—I don't know. I was not a bit nervous.

Q.—No, I don't think you were nervous about it, you knew they would get them? A.—Well, I had other offers for them, there were two bidding for them at the same time.

Q.—Did the Insurance Department ever take any objection to the issue of paid up stock for those copyrights? A.—No, not to my knowledge.

Q.—I think there is a minute to that effect. Where is the entry where that issue of stock was first cancelled? A.—7th December, 1904, there is a minute there.

Q.—This resolution appears at the 26th meeting of the Executive Committee held on August 23rd, 1905. "Whereas the copyrights purchased by the company from T. Marshall Ostrom have elapsed and in their old form were not approved by the Insurance Department at Ottawa, the agreement by the Committee of the subscribers to the company. . . . to purchase same from T. Marshall Ostrom and the confirmation of the said purchase . . . are thus ren-

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dered void, and the directors, with the consent of T. Marshall Ostrom, hereby record the fact." What does that mean? A.—The interim copyrights.

Q.—Did the Insurance Department make that objection to them? A.—Not that I know of.

Q.—It says here "were not approved by the Insurance Department at Ottawa?" A.—The Insurance Department never looked over them.

Q.—There must have been some sign of disapproval by the Department or that entry could not get in your minute book? A.—I don't know where it is. We have no letter. They never disapproved of them; they could not. That is 1904, only interim copyright, those policies lapsed.

Q.—Were you not applying for your license about August, 1905, or finding out what would be required of you? A.—We don't need to; we know what it wanted.

Q.—The preceding resolution reads, "that the general manager be instructed to purchase Winnipeg City bonds" for a certain amount "for the purpose of using these bonds as the Government deposit?" A.—Yes.

Q.—So that you were then getting ready to make your Government deposit and get your license? A.—What date is that?

Q.—August 1905? A.—I guess those Winnipeg bonds were bargained for at that time. We were getting ready for two years.

Q.—What was done at that time? Did you actually erase the transaction whereby the paid up stock was supposed to have been issued to you? A.—Well, I think under that form that was the intention, under the interim copyrights.

Q.—On May 31st, 1905, you issued \$140,000, of capital stock 1,400 shares to yourself. That is shown here cancelled, and a line drawn through it. "This cancellation has been made apparently to give effect to the minute on directors' Minute Book, pages 115, 116." That is the minute I just read? A.—That explains itself.

Q.—Whose writing is that? A.—The book-keepers.

Q.—What book-keeper? A.—Mr. McKechan.

Q.—Then you have another allotment in 1906, January 24th, allotment of 1,400 shares. You attempt to do it over again. A.—I don't

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know anything about the book-keeping in that respect.

Q.—It is not a matter of book-keeping in that respect.

Q.—It is not a matter of book-keeping, there must be some resolution for this. Issuing \$140,000 of stock and again that is all struck out, the pen drawn through it. A.—Yes, well, I don't know anything about that. It is an error of the book-keeper's, I presume.

Q.—You do not keep the books in that way? A.—No, when it comes to my attention I don't have them kept in that way, either.

Q.—That is not proper book-keeping? A.—No.

Q.—Just drawing the pen through it and cancelling it that way. A.—No, well sometimes the auditors give instructions.

Q.—Is this your journal? A.—Yes.

Q.—Do you make any of the entries here? A.—No.

Q.—In the journal at page 4 there is this entry on May 31st "organization expenses debtor \$50,000. T. M. Ostrom, capital account \$49,000. T. M. Ostrom, General Account, \$1,000." I suppose that division of the \$50,000 was made because \$49,000 would pay off 10 per cent. on \$140,000 of stock and the premiums. A.—That is right.

Q.—And then there would be \$1,000 over and you give yourself credit for that \$1,000 of a balance in your Commission Account. A.—That is the way he has got it there.

Q.—You say "he" has got it there? A.—Yes, the book-keeper.

Q.—Do you say you did not give instructions for that? A.—No.

JUDGE MACTAVISH: Where would the book-keeper get the information? A.—From the minutes.

Q.—Cannot we get the minutes that would give that information to the book-keeper? A.—And if there is no minute for it —on the 31st of May —I don't know where he would get it; it would be an error, a double entry. They often do that; we had a green man there, a young fellow from the College, he was under instructions from one of our auditors who was teaching him; he made a lot of entries which were wrong and we let him go and got a good man.

Q.—Would that explain the entry in question? A.—I think it ought to; I can't tell anything about it; it was done without my knowledge.

Q.—The explanation would be that it was done ignorantly. A.—Yes.

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MR. TILLEY: No authority for it, probably. A.—No authority.

Q.—Here is a resolution in the shareholders' minute book on the 7th December, 1904. This entry is made on May 31st, 1905 in your journal. Now is that made pursuant to this resolution in the shareholders' minutes of December 7th. A.—I cannot tell you the first thing about it. It is an error, a mistake, and I don't know anything about it.

Q.—What is an error, the entry in the journal? A.—I don't know anything about it. I don't know why it is there.

Q.—This was to issue to you \$49,000 of capital stock. A.—Well, I never had it issued.

Q.—Or that amount paid on capital stock? A.—Well, I never had it. I made no request for it.

Q.—Didn't you get it issued once before? A.—Yes, it was in December, though, I think. Let us have the certificates of the first issue.

Q.—I see the certificates is dated the 29th December, 1904 and it is numbered 103. The stub shows that No. 103 is a certificate of 29th December, 1904, and is that the first time that stock was issued. A.—Yes.

Q.—Then that is the issue of stock which you moved to cancel in August, 1905? A.—Yes.

Q.—And that resolution to cancel that stock was moved by T. Marshall Ostrom? A.—Yes.

Q.—Why did you move it? A.—Because there was a dispute about it.

Q.—What was the dispute? A.—They said that notice had not been given of the first shareholders' meeting on December 7th.

Q.—Who raised that question? A. A.—Mr. Wilson.

Q.—The counsel of the company. A.—Yes.

Q.—That the meeting was not properly called and therefore the confirmation of this stock was not valid? A.—Yes.

Q.—And you said, just as you did this morning, if that is not the wish of the parties we will wipe it out and do it all over again. A.—That is right.

Q.—So that you wiped it out at that date and it passed off the books, did it not? A.—It was moved according to the minutes there. I don't remember all the details of it, but there was an arrangement with the directors to take it up at the next shareholders' meeting. It did not cancel the deal.

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Q.—This say that the old copyrights had lapsed. That was because they were interim certificates. A.—Yes, and then I had got the permanent ones.

Q.—“The directors, with the consent of T. Marshall Ostrom, hereby record the fact.” So that with your consent it was recorded that that transaction was void, is that right? A.—Yes.

Q.—So that this cancelling of that item in the stock book was perfectly correct and no person's error? It was according to the resolution as it is on page 115? A.—That must be right.

Q.—So that the first cancellation is correct and not the mistake of some stupid book-keeper? A.—I don't know anything about that. If it is according to the minutes it is correct.

Q.—Whatever is in that minute was done with your consent and approval? A.—In the minute it was, yes.

Q.—Declaring the transaction void, that was with your approval. This afternoon will you bring the draft of the agreement with yourself as Manager, which was put in as an exhibit this morning, so that we can see the original draft. A.—I think Mr. Wilson has that.

Q.—Will you make a search amongst your papers; I see Mr. Wilson's name is not on the back of that document, so that there must have been some other document probably prepared by Mr. Wilson, which you may have, and if you will bring it, please, and the other stock certificates.

(Adjourned to 2.15 p.m.)

## AFTERNOON SESSION.

Resumed at 2 p.m., September 4th, 1906.

Examination of T. Marshall Ostrom continued:

MR. TILLEY: Q.—The transaction regarding the issue of that \$140,000 of stock having been expunged with your consent what was the next step that was taken about that stock? A.—It was cancelled, it was understood then that when the permanent copyrights were obtained—

Q.—It was understood then that when the permanent copyrights were obtained? A.—Yes, they had been obtained—

Q.—Why was not the transaction put through then? A.—Owing I

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think to the want of a directors' meeting or something—

Q.—At any rate the matter stood in that position? A.—Yes.

Q.—You got the permanent copyrights and have you them here? A.—I have the receipts for them.

Q.—Where are the permanent copyrights? A.—In Ottawa.

Q.—Why are they there? A.—We only took receipts for them.

Q.—The copyright stands in your name yet? A.—The trustees hold it, or at least they should hold it.

Q.—What trustees? A.—I agree to transfer them under my copyright, I have not done so yet.

Q.—What trustees should hold them? A.—The original trustees according to the minutes.

Q.—Was that covered by this agreement—are you referring now to the agreement you originally entered into of the 8th March, 1904? A.—I think there were trustees appointed then.

Q.—Do you mean A. W. Holmstead, T. H. Graham and William Scott?

A.—Afterwards Mr. Holmstead was asked to resign and Mr. Livingstone was appointed in his place.

Q.—They were trustees under the agreement of the 8th March, 1904, which is set out in the minutes? A.—Yes.

Copy of agreement dated 8th March, 1904, filed as Exhibit 414.

Q.—Was any agreement actually signed in the terms of this draft agreement in the minutes? A.—No sir.

Q.—So that the obligation on your part was never actually assumed by a formal document? A.—What obligation do you refer to?

Q.—The obligation to transfer the copyrights to these three trustees as set out in the agreement? A.—According to the agreement in the minutes, there was obligation in that way.

Q.—As it appears in the minutes is the only obligation you have assumed? A.—At that time.

Q.—Or since? A.—No, after some more obligations.

Q.—What obligation since did you assume? A.—The contract.

Q.—Is that the other document you handed me this morning? A.—Yes.

Q.—This is the agreement of the 9th March, 1906, you now refer to? A.—Yes.

Q.—Who prepared this agreement? A.—The solicitor, Mr. Wilson.



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Agreement between the Monarch Life Insurance Company and T. Marshall Ostrom filed as Exhibit 415

Q.—Was that agreement ratified?  
A.—Yes sir.

Q.—Under this document you were to vest the copyrights in the company before you got your cash or your stock—have you done that? A.—I have done everything our solicitor asked us to do.

Q.—Have you done that? A.—I think they have not all been completed for the reason he has not got the papers ready.

Q.—What has been completed? A.—Everything but getting the copyrights and I do not know whether Mr. Wilson has got them from Ottawa or not.

Q.—Nothing has been done since the agreement to carry out the agreement on your part? A.—Yes, everything.

Q.—What has been done towards the vesting of the copyrights in the company? A.—I put them in a shape that they are simply using them to-day.

Q.—The company is using the policies which you say are subject to your copyright? A.—Yes sir.

Q.—And that is all that has occurred? A.—Yes.

Q.—The copyrights still stand in your name? A.—They stand in my name if they have never been transferred.

Q.—Explain to the Commission what value you attach to copyrights on insurance policies? A.—That would be impossible.

Q.—Why, is the subject so broad? A.—Yes.

Q.—Or so narrow? A.—If I would explain it probably you would not quite understand it. I think if you had Mr. Dawson here he could put a value on it. A man cannot put a value on work of that kind any more than you can put a value on legal work.

Q.—I am not asking you to put a cash value on it, I am asking you to explain to the Commission just what rights you think it gives the company? A.—I will make it short; I will demonstrate to show what a valuable asset they are to the company, where the Monarch Life is a young company—we received our license 19th July, we started doing business under our contract, and we wrote \$180,000 in one month, that is \$110,000 more than any company ever wrote. We got that business for 50 per cent.

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against the old companies getting it for 90, they were paying 90 95 and some cost them 110; we got all our business, and we did not rebate not one cent, that is our first month's business.

Q.—That you did after you had been two years getting in shape to do that two months' business? A.—Yes; we saved 40 per cent. in commissions on those plans.

Q.—Can another company insure people in the same way as you are insuring them? A.—We are advised from our solicitor they cannot, they cannot even infringe on it.

Q.—The same plan of insurance cannot be used—is it not just the language of your policy that is copyrighted? A.—The language of the policy, you have to have your rights to complete that language.

Q.—Another company so long as it does not issue a policy in form similar to yours can issue the same kind of insurance? A.—I think that is a matter you ought to take up with Mr. Wilson.

Q.—I would like to deal with the author? A.—I am advised by our solicitor they cannot, he has given that in writing and you have it here.

Q.—Have you any plan of insurance leaving out the wording of your policy—that has not been used by other companies? A.—All.

Q.—None of your plans have been used by other companies? A.—No.

Q.—I thought you would not take that position? A.—I say we will issue policies of other companies, we are not using them.

Q.—You will issue policies of other companies but have not other companies been insuring people on the same plan you are insuring them without using the same form of policy? A.—Not that I know of, there are some similar; there is an insurance company in the Old Country who issues something similar but not the same.

MR. KENT: Q.—If you only pay 50 per cent. as against 90 per cent. generally paid there does not need any copyright to save that 40 per cent; any company could pay its agent 50 per cent. if they would choose to take it? A.—I say we have no opposition, no competition. All the other companies said we would not get business under that and now why are we getting it? We are writing \$110,000 more than any other company that ever started.

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Q.—Can you say your agents can get business without any trouble? A.—Yes; we will get you a copy of one of our agent's letters. He wrote \$52,000 in one month and said he never was turned down by a single individual, and he was up against all the other companies. He came from the Equitable Life and he had been twenty-two years in business.

MR. TILLEY: Q.—He had never been working for the other companies? A.—He is a Canadian born, yes, he worked for the Confederation Life.

Q.—Here is the letter written by Mr. Wilson you referred to of September 21st, 1904, addressed to the Monarch Life Insurance Company, "In reply to the request of your Executive Committee," etc. (Reads letter which was marked as Exhibit 416.) Practically what he tells you I think is the policy is useful in so far as it prevents any person else from copying your language in issuing a policy in the same form but there is nothing in that letter to say they cannot issue the same kind of insurance as you are issuing? A.—It is the policy, you can get all kinds of insurance.

Q.—It is just the form of the policy? A.—Yes, you can get all kinds of books to read.

Q.—And you think the wording of your policy is the thing that is worth the \$50,000? A.—It is the fairest and squarest wording of insurance policy that could be gotten out; it is, fair to the policyholder and fair to the company.

Q.—That would apply to all but yours? A.—I do not know that I could issue anything better.

Q.—Having the matter in that shape and off the books again will you tell me when it was put on the books again, the issue of that \$140,000 of stock? A.—Our Accountant will give you that.

Q.—Here is a resolution passed April 12th 1906, apparently by the Executive Committee: "That whereas," etc. (Reads resolution referred to on folio 156 and 157). Where is the resolution that refers it to the Committee? A.—In the shareholders' book I think.

Q.—That referred to a resolution of the shareholders on the 21st March, but also to a subsequent resolution of the Executive Committee on the 5th April, 1906, and here is the resolution on page 151 of the Executive book, "That the matter of the agreement with Mr. Ostrom relating to in-

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surance plans be referred to the Executive when Hon. Mr. Rogers can be present"—that was referred to the Executive Committee to take it up with Mr. Rogers, and then on the 12th April the matter is taken up without Mr. Rogers by the Executive Committee? A.—Yes.

Q.—What authority was there for the Executive Committee to act without Mr. Rogers? A.—I suppose they gave their authority and give their reasons.

Minute book of shareholders filed as Exhibit 417.

Minute book of the directors filed as Exhibit 418.

Q.—It was under this last resolution of the 12th April that the stock was issued to you? A.—The last stock.

Q.—Your right to that stock depends on this resolution of the 12th April, or does it depend on anything else? A.—It depends on the whole binding contract right through.

Q.—I want to know? A.—Binding from the shareholders up; there is no one thing I count on, I count on the whole contract.

Q.—Here the Executive Committee are authorized to deal with the matter when Mr. Rogers is present, and then the Executive Committee deal with it on the 12th April without Mr. Rogers being there; is that the basis you rest your claim to that stock upon? A.—No.

Q.—What is it? A.—That and others.

Q.—Any other resolution? A.—Yes, there is a shareholders resolution there, they confirm that.

Q.—What date? A.—21st March.

Q.—Why did the Executive Committee deal with the matter after the shareholders? A.—I do not know why they did, that has always puzzled me.

Q.—Were you present at the meeting? A.—I was.

Q.—Did you vote in favor of these resolutions? A.—No, I never do, not a thing belonging to myself.

Q.—At this meeting of the 12th April when this matter is dealt with Mr. Gordon is present and Mr. Ostrom and Mr. Livingstone, and the only other person who is represented at all is Mr. Graham, and he is called up by the phone, and the minutes are read over to him, and yet you have Mr. Graham seconding the resolution whereby this stock was to be issued to you? A.—I do not know anything about that. I think he gave his con-

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sent, I think the resolution was read to him.

Q.—Do you say you read the minutes to Mr. Graham? A.—I do not say, the Secretary will probably tell you.

Q.—These five pages of minutes were read over to Mr. Graham? A.—They often are.

Q.—Prior to that, in January, 1906, there was another entry in the stock book showing the issue of that stock to you and that was cancelled, can you tell me why that was done? A.—I do not know anything about it, the book-keeper can tell you.

MR. VANSICKLE, (The book-keeper): No, I cannot tell anything about it.

MR. TILLEY: Q.—It is entered in the stock book and erased? A.—It may have been erased according to the auditors' orders.

Q.—Whose writing is it? A.—It is our book-keeper, Mr. Kechnie, the same man who wrote this.

Q.—Was any resolution passed after 12th April when this Committee purported to deal with these 1,400 shares? A.—Unless they were in the minutes, I do not remember.

Q.—Do you know of any? A.—They would be in the minute book.

Q.—Do you know of any? A.—Since the 12th April, I would have to refresh my mind before I could speak positively as to that.

Q.—Do you know of any (To Mr. VanSickle)?

MR. VANSICKLE: No.

MR. TILLEY: Q.—That shows the authority for the issue of stock in June, 1906, have you the other stock certificate, you did not have this morning? A.—I cannot find them all, I have some. These are cancelled ones. Mr. Gordon thought he had signed too many. Here is 90 shares he signed in small lots, he thought he had signed too many after he came back from Winnipeg and I told him he had better cancel it until he had time to look it up.

Q.—How many shares? A.—Ninety shares.

MR. HELLMUTH: At what date where they returned from Winnipeg?

MR. TILLEY: It would be after the 10th August this year.

Q.—Here are two more at the back of the stock certificate book, 176 and 177, were they cancelled in the same way? A.—Yes, he had signed, I had not signed.

Q.—These two? A.—Yes.

Q.—Had you signed the others? A.—Yes.

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Q.—It would not be very hard for you to get your own signature to that? A.—When there is a cross there do you see any?

Q.—Before it was cancelled would there be any trouble in you getting your own signature? A.—I do not quite understand that.

Q.—How is it you did not sign these two, 176 and 177? A.—Mr. Gordon some times signed in blank.

Q.—Take the earliest of these certificates, this is certificate number 2 in your favor for 400 shares, do those shares still stand in your name? A.—Yes.

Q.—And they belong to you? A.—Yes.

Q.—They are the shares upon which you have paid the call on the stock? A.—Yes.

Q.—And have not paid the premium in full? A.—That is correct.

Q.—Those shares are still yours? A.—Yes.

Q.—Are they shown in this book? A.—I think so.

Q.—That is a certificate for 400 shares dated 9th December? A.—Yes.

Q.—Where are the 200 shares? A.—You have it there, the other one I have it in the vault.

Q.—Still some in the vault? A.—One or two of the others are in blank.

Q.—How many stock certificates have you in the vault yet? A.—The balance of them excepting one is 100 shares in the vault, there is \$3,500 paid on that 100 shares.

Q.—You have one certificate for 100 shares still in your vault? A.—Yes.

Q.—Have you any more certificates in your vault? A.—Not that are filled in.

Q.—You have some blank certificates there? A.—No.

Q.—Why do you use the expression, "Not that are filled in?" A.—I do not know why I used it.

Q.—Have you any of the blank certificates in your vault that are torn out of these books? A.—No, I took some to Winnipeg.

Q.—For what purpose? A.—For Mr. Gordon to sign on the way up, the balance of these certificates.

Q.—Why, because he had not time to sign them here? A.—That is the reason.

Q.—That he had not time to sign his name to a few stock certificates you carried them to Winnipeg? A.—Yes, to sign them on the way up on the train.



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Q.—Did Mr. Gordon sign them on the way up to Winnipeg? A.—Yes, and they are still in Winnipeg.

Q.—What certificates did he sign? A.—He signed the balance of those he had here.

Q.—The balance of the 1,400? A.—Yes.

Q.—And you left them in Winnipeg? A.—Yes.

Q.—Why did you leave them there? A.—The Head Office is going to be there.

Q.—Where did you leave them? A.—In the hotel vaults.

Q.—What hotel? A.—The C. P. R. Hotel.

Q.—How many certificates did you leave in the C.P.R.? A.—I don't remember, they were all I wanted signed in blank, that was without my name in.

Q.—Had they your name in? A.—I wanted to sell stock and transfer the stock.

Q.—And they were signed by Mr. Gordon in blank? A.—No, the amount was put in but my name was not put in, just the same as the stub shows here.

Q.—You cannot tell me how many certificates are in that shape? A.—I could by making those up and taking those off it.

Q.—We will have to have that made up? A.—Very well, we will do that.

Q.—Before Mr. Vansickle takes this away, who wrote the word 'Cancelled' across these certificates that are marked cancelled? A.—Mr. Gordon.

Q.—When? A.—After our return from Winnipeg to the office.

Q.—Why did he do it? A.—He said he thought—he was in a hurry—and he said he thought he signed 90 shares too much. I said "Here, if you think you have, cancel those and I will look it up, and if not you can sign the other certificates."

Q.—Were you present when Mr. Gordon cancelled these? A.—Yes sir, I handed them to him myself. Our Secretary will verify that.

Q.—All he wanted to do was to cancel 90 shares? A.—He thought he had signed too many, he was not sure.

Q.—How many too much did he think he had signed? A.—90 shares.

Q.—Did he think he had signed the balance of the 1,400? A.—I guess he did.

Q.—Not guess? A.—He must have know he had, I do not know what he thought, but he knew he signed them.

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Q.—Do not put it that way; I want you to tell the truth, because you were at the Winnipeg meeting and heard Mr. Gordon tell the meeting those were not issued, do you think Mr. Gordon said that knowing it was untrue? A.—No, I think his memory failed him.

Q.—Mr. Gordon did not think he had signed any? A.—He also said he had not signed any policies and he had signed fifty.

Q.—Mr. Gordon at the Winnipeg meeting did not think he had signed any certificates of the 1,400? A.—Yes.

Q.—You were at the meeting and heard him say it? A.—Yes.

Q.—And you did not contradict him? A.—No sir.

Q.—Although the certificates were issued and in your possession? A.—Yes.

Q.—You had 1,400 shares of stock issued to you for these copyrights and you sat in the meeting with the other directors and you heard Mr. Gordon tell the directors they were not issued and you did not contradict him? A.—Yes.

Q.—Why did you do that? A.—Not to cause any friction between us, did not want to contradict him.

Q.—Who were you afraid of, Mr. Gordon or the rest of the directors? A.—I was not afraid of any one because I did not feel it my place to get up and contradict him neither did I when he said he had not signed the policies and he had signed fifty.

Q.—Here were certificates that were issued to you and you knew that the directors were being told they were not issued, and you had them in your pocket? A.—I did not have them in my pocket.

Q.—Practically had them in your possession? A.—I did.

Q.—And the directors do not know until this evidence comes out that you have these certificates? A.—They knew if I could not get them from Mr. Gordon I could get some of the other directors to sign them.

Q.—You could get the Vice-President to sign them? A.—Yes, any of the Vice-Presidents or any two directors under the by-laws.

Q.—Did Mr. Gordon sign certificates after your name was filled in? A.—Yes, my name was filled in.

Q.—What I point out to you is Mr. Gordon was in the habit of signing certificates in blank? A.—Yes.

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Q.—Did you not use certificates signed by him in blank? A.—Not of my own.

Q.—Did he sign them after you had made them out? A.—He did not put my name in, he might put the amount in, the same as the stub.

Q.—Whose writing is it of the 6th June? A.—Mr. Vansickle's.

Q.—Mr. Vansickle is here? A.—Yes.

Q.—I point out to you that Mr. Gordon apparently, either Mr. Gordon or some person else, has marked all the certificates of that 1,400 lot as cancelled that he signed, all that bear his signature have been marked cancelled except one which is certificate number 175, where was certificate 175—the rest are all folded just in that way, lengthwise, but this certificate 175 has been folded in this shape (folded twice)? A.—Fifty shares.

Q.—Yes? A.—That was to be transferred to Mr. Denham.

Q.—Who is Mr. Denham? A.—If you look in the minutes he was elected a director in Winnipeg.

Q.—Who transferred it to him? A.—I transferred it to him.

Q.—Did you sell it to him? A.—I was to sell it to him.

Q.—What were you paid for it? A.—I have not got the money he was to buy it.

Q.—What were you to be paid for it? A.—Just what it is worth there, \$1,750.

Q.—And it is not yet paid? A.—No.

Q.—This fifty represented by certificate 175, where was it at the time Mr. Gordon cancelled all the rest? A.—It was in the vault to be held there until—

Q.—In what vault, the C.P.R. vault? A.—No, I brought that one back with me.

Q.—Were all the certificates for the 1,400 shares cancelled at one time? A.—No, the Vice-President signed some, I don't know how many.

Q.—Where did Mr. Gordon sign them? A.—At the office.

Q.—At the Monarch office? A.—Yes, some of them signed in Winnipeg.

Q.—Where did the Vice-President sign them? A.—At his own office, Dovercourt and Queen.

Q.—You took them out to him; when was his signature put on? A.—I presume the day they were made out, I cannot tell you exactly, on the fifth or soon after.

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Q.—On the fifth June; here is one signed by Mr. Gordon on the 5th June and another one by Mr. Gordon, they are all dated 5th June.

Q.—That Mr. Gordon signed of that 1,400 lot? A.—I guess all the 1,400 were signed upon the 5th June.

Q.—Tell me how it is Mr. Graham signed part and Mr. Gordon part? A.—I cannot tell you only I gave orders that when the certificates were signed to get them signed in the authorized way.

Q.—Do not ask us to believe that the signing of these certificates was such a simple matter as that, you must have had more conversation about it than that you must know the circumstances under which they were signed? A.—That is all I know about it.

Q.—Who got them signed? A.—I do not know which one went up to get them signed.

Q.—Did you get some signed, Mr. Vansickle?

MR. VANSICKLE: After I wrote out the certificates I remember taking them into Mr. Gordon in Mr. Ostrom's office, but I do not know who signed them.

Q.—Who is Mr. Denham you mentioned? A.—He was a friend of Mr. Gordon's.

Q.—And did Mr. Gordon know that that fifty share lot was being transferred to him? A.—There was a minute of the 9th in Winnipeg transferring that to him.

Q.—Was Mr. Gordon there at that meeting of the 9th? A.—Yes, and sanctioned it.

Q.—He then had personal knowledge of the transfer of fifty shares to Mr. Denham? A.—Yes.

Q.—Did he know that that fifty shares came out of your 1,400 shares? A.—He did.

Q.—How do you know he did? A.—I told him that.

Q.—When did you tell him that? A.—He asked me the question.

Q.—When? A.—I think it was in the office when we were signing them.

Q.—In the office in Toronto? A.—Yes.

Q.—You were not then transferring to Denham? A.—No, but we intended to.

Q.—You intended to at the time in Toronto? A.—Yes.

Q.—Do you say Mr. Gordon knew you were transferring fifty shares out of that 1,400 share lot to Mr. Denham when he said deliberately that the shares were not issued at all, do you ask the Commissioners to

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believe that? A.—I am just telling you what he said.

Q.—Do you still say that? A.—I still say that.

Q.—Notwithstanding that Mr. Gordon said most emphatically that not a share of that 1,400 shares had been issued, and he hoped to put through a transaction with you whereby you got 500 or 600 shares? A.—He did not know I had 600 shares.

Q.—He said Mr. Rogers had suggested that a fair settlement with you would be 500 or 600 shares instead of 1,400? A.—Fully paid-up shares.

Q.—He does not say anything about that? A.—He meant that, that that would be better.

Q.—Who had shorthand notes taken of the meeting in Winnipeg? A.—The President.

Q.—Who is the President? A.—Mr. Gordon.

Q.—He gave instructions for it, did he? A.—Yes.

Q.—Why did you go to the trouble of having shorthand notes taken of that meeting? A.—I do not know, he was Chairman and it was under his instructions.

Q.—Here is the question asked by one of the directors: "Have any of these gentlemen from Toronto received 1,400 shares of this stock and who and by whom, and who gave it, what was it given for," etc. (Reads from shorthand notes pages 22 and 23 down to the words "what the outcome would be"). Here again is what he says at page 43; "Now, after the other 1,400 shares," etc. (Reads down to the words "that is the position of the matter").

That was not the position of the matter; was it not the fact, as Mr. Gordon says, that when you brought the certificates to him he stopped signing at a certain time when he found it was 1,400 shares and then you got the rest signed by the Vice-President? A.—I swear that is not true.

Q.—You swear Mr. Gordon's statement is incorrect? A.—I will not say it is incorrect. I say his memory failed him.

Q.—You swear it is not incorrect? A.—No, I am not going to swear it is incorrect. I say his memory failed him.

Q.—You did not contradict that statement either at the meeting? A.—No, I did not contradict anything at the meeting if you notice.

JUDGE MacTAVISH: Did you have any conversation with Mr. Gor-

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don afterwards? A.—We came home together and he got it into his head he had signed 90 shares more than he did, and he only had a few minutes, and I said "If you think so we will cancel them," and we cancelled those I think on the train coming in.

Q.—Was it your impression that Mr. Gordon was making a mistake conscientiously? A.—No, I do not think he would make it conscientiously, he could not remember, I don't think he did it conscientiously.

Q.—You think this statement was made in good faith by Mr. Gordon, is what you mean? A.—Yes.

Q.—Did you draw his attention to the mistake he had made? A.—No.

Q.—Either before or after? A.—No, it was a very stormy meeting and I thought the less we could say at that time—we were about three hours trying to get him in the Chair, and he got pretty well excited, and he is to be forgiven for statements he made there because he was excited and it was a pretty rough meeting, and the directors worked for three hours to get him in the Chair, and after he got in the Chair his memory failed him and he did not do it conscientiously.

MR. GEARY: Consciously the witness means? A.—Yes, consciously.

MR. TILLEY: Q.—He had time to cool down from Winnipeg to Toronto? A.—Not very much, it was pretty hot weather.

Q.—You did not explain to him his mistake all the way down? A.—No.

Q.—And do you say on the way down he cancelled them? A.—I do not remember exactly where it was, I know they were cancelled.

Q.—It was cancelled somewhere between Toronto and Winnipeg on the way back? A.—I would not say where they were cancelled.

Q.—At the time he cancelled the 90 shares do you say he thought there were still 1,400 shares issued and that that was the surplus he was cancelling? A.—Of the 1,400, at the time he asked for the cancellation—

Q.—At the time he cancelled the ninety? A.—I do not know what was on his mind.

Q.—You say he thought he had signed 90 too many, was that in addition to the 1,400 shares? A.—I said if you think so we will cancel the 90 shares and when we have time we will go over the others with you.

Q.—Do you say now the Vice-President had signed the remaining cer-



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tificates before that conversation on the way back from Winnipeg? A.—As far as I remember.

Q.—Was it not true these certificates had been cancelled as Mr. Gordon said, and that the Vice-President had not signed any others and you have got them signed since? A.—No.

Q.—That is not so? A.—No.

Q.—Is the Vice-President in Toronto now? A.—I think he is; perhaps he is on his holidays.

Q.—Was the Vice-President at the meeting in Winnipeg? A.—Yes.

Q.—Did he contradict the statement about 1,400 having been issued? A.—No, there was no contradiction made by any one.

Q.—Did you discuss that with the Vice-President after leaving the meeting? A.—No.

Q.—Is the Vice-President a friend of yours? A.—No.

Q.—Take this discussion which certainly called for some statement by the Managing-Director of the company: "Mr. Brunet: Supposing, etc. (Reads from page 62 of the shorthand report of meeting) . . . "without prejudice to his rights." Did you do that? A.—I did not say a word.

Q.—I have glanced through this, and there is one place where you do say a word, was that at the end? A.—I think there was an agent got up there and I did say something, it was not very much; it was nothing to the regular meeting.

Q.—It was at the end? A.—I think it was.

Q.—(Reads from page 66 of the shorthand report of meeting): "Mr. Gordon, President: I understand there have been certain entries with reference to the 1,400 shares, etc.—? A.—That should be 2,500.

Q.—(Continues reading from stenographer's report): "Mr. Ostrom: That cancellation of that \$25,000 has never been, etc. (Reads). That \$25,000 had not anything to do with the 1,400 shares, and yet your answer is as to a \$25,000 transaction and you evade entirely the 1,400 shares? A.—Yes.

Q.—Why did you do that? A.—I was advised to do that.

Q.—By whom? A.—By my own solicitor, Mr. Campbell, of Winnipeg.

Q.—You were in consultation with your Winnipeg solicitor? A.—My own private solicitor.

Q.—Before the meeting? A.—No, all the time.

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Q.—Before the meeting were you? A.—No, well, I suppose it was before the meeting.

Q.—Was he present at the meeting? A.—No.

Q.—What did you consult him about? A.—Just the affairs of the company, not about the 1,400 shares; I told him it was going to be a stormy meeting and he advised me to say nothing.

Q.—Mr. Campbell told you not to say anything? A.—Yes.

Q.—If they asked about the 1,400 shares to tell them something else? A.—They did not ask me about the 1,400.

Q.—You said you told about the \$25,000 when they asked you about the 1,400 shares on the advice of Mr. Campbell? A.—Do not get it down that way.

Q.—You say you told them of this \$25,000 transaction when they asked you about that 1,400 shares on the advice of your lawyer? A.—There was a telegram came in from the auditors stating the audit could not be complete till there was some adjustment made and Mr. Gordon asked what that adjustment was.

Q.—Wait, I think that telegram is given here in full—it was read, was it not? A.—Yes.

Q.—Before your address or after? A.—It was read before my address, and the question was asked me.

Copy of stenographer's notes of meeting filed as Exhibit 419.

Q.—It follows on the next page; Mr. Gordon reads telegram. It is a telegram signed J. I. Sutcliffe. Who is he? A.—Auditor of the company.

Q.—It is a telegram sent to Mr. Gordon? A.—Yes, President.

Q.—I suppose in answer to a telegram Mr. Gordon had sent to him? A.—Yes.

Q.—The telegram reads as follows: "As requested, report audit still incomplete, waiting certain adjustment by the company, passed receipts, payments as in bank, security substantially correct in my opinion, from inception of company to the end of May last. Book-keeper conscientious man, he says everything all right."

Is that the best auditor's report you could get from the auditor, that the books were in such shape that he could not give any certificate, but the book-keeper was a conscientious man and he told you everything was all right? A.—Yes.

Q.—That was rather a remarkable report from an auditor. Did you

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ever get a subsequent report from him? A.—We will at the end of the month.

Q.—When? A.—As of the 1st of this month.

Q.—As of the 1st of September? A.—Yes. He complained that the \$25,000 was not cleared up.

Q.—Is it the \$25,000 he is waiting on? A.—Yes.

Q.—Not the 1,400 shares? A.—No.

Q.—And yet Mr. Gordon, when he was referring to the difficulty, spoke of the 1,400 shares, and you evaded that and spoke about the \$25,000? A.—I did not; it was \$25,000 he asked me about and I gave it to him.

Q.—Here is the statement "I understand there were certain entries in reference to the 1,400 shares." That cannot be a mistake for \$25,000? A.—He asked me if it was in reference to the 1,400 shares that the audit could not be complete, and I said no, it was the \$25,000 to be paid the provisional Directors, because the auditor complained and wanted me to get a minute to clear it up, to clear it out of the way.

MR. KENT: Q.—Was there an arrangement about the \$25,000— A.—There was an arrangement, but that was cancelled.

Q.—They wanted more? A.—No.

MR. TILLEY: Q.—On the advice of the solicitor of the company they found they might be liable on that stock if they took it as bonus stock? A.—Yes.

Q.—So the stock was never issued? A.—No.

Q.—And never accepted by them in any way? A.—No.

Q.—And it cannot stand in the auditor's way at all? A.—Well he complains that it does.

Q.—What was the main difficulty at Winnipeg? A.—About the head office.

Q.—What was the difficulty about the head office? A.—It had not removed there as quickly as they thought it should.

Q.—Was the resolution passed directing its removal to Winnipeg? A.—It was rather indefinite. It was passed removing it there, but it gave the Executive here indefinite time to go there.

Q.—In the minutes of the Directors' meeting of the 21st March, 1906, this resolution appears: That the head office of the company shall be in the City of Winnipeg, and that the by-laws providing for meetings in the City of Toronto shall read as if Winnipeg were inserted where Toronto

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now is, and that it be left to the Manager and the President and Vice-Presidents and Executive Committee to be appointed to arrange a convenient time and manner of removal." That resolution having been passed on the 21st March, 1906, it became effective by reason of the provision in your charter which expressly authorizes the directors to remove the head office from any one place in Canada to any other? A.—Yes.

Q.—That resolution was carried unanimously, was it, or was there any division about it? A.—I think there was a division.

Q.—It is not shown here? A.—I think there was one objection there.

Q.—Whose objection? A.—Mr. Hutchinson. It is in Mr. Gordon's writing.

Q.—That is at the end of a meeting, "at the request of Mr. Hutchinson, his dissent from change of head office to Winnipeg on the ground of want of previous notice and opportunity for discussion is noted. D. A. Gordon, President, T. Marshall Ostrom." At that time were you in favor of the change? A.—At that time?

Q.—Yes. A.—I had not very much to say about it. I was under the Directors.

Q.—I do not think that is an answer to my question? A.—I do not know as I was.

Q.—Were you in favor of it? A.—No. I was not in favor of it.

Q.—Did you vote on that resolution? A.—Yes.

Q.—How did you vote? A.—I voted to go to Winnipeg.

Q.—But you were not in favor of it, and why did you vote that way? A.—Because I thought Toronto was the proper place for operating.

Q.—Why did you vote to go to Winnipeg? A.—Because the majority of the Directors wanted to go there.

Q.—You being one of the majority? A.—I made myself one of the majority when I voted.

Q.—How did Mr. Gordon vote? A.—In favor of going to Winnipeg.

Q.—Was that not the plan of the company, that you should put the head office in Winnipeg rather than Toronto? A.—That was at that meeting, because the meeting was rushed, and the eastern shareholders, after they found out the head office was moved there wrote some very nasty letters to myself and the President, and rather got up a storm, they said it should have come before the shareholders to vote upon, and I think it

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is only fair that it should, and it took a long time to get the thing settled amicably, three or four months. We had to do a lot of work on that.

Q.—The Act of Incorporation expressly provided that the Directors should deal with that matter? A.—Yes.

Q.—So that it was not a legal objection? A.—No.

Q.—It was more an objection of lack of respect to the shareholders I suppose? A.—That is it.

Q.—But had stock not been sold on the representation or understanding that the head office would be moved to Winnipeg. A.—We had some agents there that said they thought it would be.

Q.—That they thought it would be removed to Winnipeg? A.—Yes.

Q.—That is western subscribers? A.—Yes.

Q.—They thought they were going to have the head office in Winnipeg? A.—We had already promised the head office for the three provinces at Winnipeg.

Q.—Where did the agents get the impression that the head office would be in Winnipeg? A.—It is hard to say.

Q.—It would seem natural to think the impression would come from you when you vote for it so readily. It would appear as if you voted for it pursuant to the understanding that you had given the agents when they were selling the stock? A.—I did tell the agents that that would depend upon the Board of Directors.

Q.—You told the agents it would depend on the Board of Directors, but the expectation was to go to Winnipeg? A.—If the Board of Directors said so.

Q.—But that was your expectation? A.—No, I wrote them, distinctly stating that they must not sell any stock on the understanding that the head office would go to Winnipeg.

Q.—You can show me a letter of that kind? A.—Yes.

Q.—Have you any here? I asked you to produce all the correspondence? A.—I did not know that was coming up. I wrote not to sell any stock on the understanding that the head office would be in Winnipeg.

Q.—When did you write that? Before or after the resolution? A.—Before the resolution.

Q.—When the resolution was passed what steps did you take to carry out the instructions of the Directors? A.—Everything.

Q.—What did you do? Everything

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but move? A.—We had to complete our business here, get the policies in process, and rate books, and license. I went to Winnipeg immediately after, and the Winnipeg Directors asked me to go to Toronto and get the license and then come up, and in the meantime waiting for the license, we got all our policies printed, and our rate book out, which was a heavy piece of work, and looked after the other business.

Q.—Your rate books are all provided for in the organization expenses, and it would appear from the minutes as if that had been done a long time before? A.—They had been in process for six months, probably a little longer.

Q.—But they were not finally completed? A.—No, there is an awful lot of work on them.

Q.—Is that the explanation you gave to the Winnipeg Directors when you were at the Winnipeg meeting for the delay? A.—I did not give any explanation.

Q.—I thought I found in the minutes that you told them you had to wait for the Royal Insurance Commission to investigate you? A.—I think Mr. Gordon told them that.

Q.—That you could not come to Winnipeg because you had to wait to be investigated? A.—No, he did not say that. He said we could not come on before.

Q.—On that account? A.—He said he expected we would be investigated—did not say we were going to be.

Q.—When did you receive complaints about removing to Winnipeg? A.—Two or three months.

Q.—After the resolution? A.—Yes.

Q.—Up to that time had you it in your mind to go to Winnipeg? A.—Yes.

Q.—When did you change your mind? A.—Have not changed it.

Q.—Have not changed it yet? A.—No.

Q.—Where is the head office now? A.—Winnipeg.

Q.—It is at Winnipeg now? A.—Yes.

Q.—Has any resolution ever been passed changing the resolution of the 21st March? A.—There was one on the 9th at Winnipeg.

Q.—On the 9th August? A.—Yes.

Q.—Why was that meeting called? A.—The President called it for the reason that he wanted the head office back to Toronto.



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Q.—That was a meeting called for the purpose of changing the head office to Toronto? A.—Yes.

Q.—Were notices sent to all the Directors? A.—Yes.

Q.—Was there any dispute at that time as to who were Directors? A.—Yes.

Q.—What was the difference between the shareholders as to the personnel of the Board? A.—Well, there was some claimed that Dr. Rogers had not qualified and Andrew Carruthers and William White, and the Winnipeg people claimed—you mean the meeting of the 9th?

Q.—Yes? A.—Well, that was a step they took, and I think it was four they claimed had not qualified, probably more, I am not exactly sure.

Q.—Was the same objection applicable to each one of them? A.—Yes.

Q.—Same disqualification if there was any disqualification? A.—Yes.

Q.—And that consisted in not paying their calls? A.—Yes.

Q.—Had they paid their calls? A.—No.

Q.—They had not? A.—No.

Q.—Were they Winnipeg members of the Board? A.—Yes.

Q.—Were those men notified of the meeting in Winnipeg? A.—Yes.

Q.—On the 9th? A.—Yes.

Q.—If these men were not qualified, what was done about that? A.—Well, there was no one objected.

Q.—And they went on and acted? A.—Yes.

Q.—They made 4 out of the 25 of the Board of Directors? A.—Yes.

MR. LANGMUIR: Q.—Did they attend meetings as Directors? A.—Well, there was no objection to them being at the meeting.

MR. LANGMUIR: Did they attend and vote? A.—Yes.

MR. TILLEY: Q.—Were they there on the 9th? A.—No, they were not there.

Q.—It was the eastern crowd that were there on the 9th? A.—That is right.

Q.—Did the western men attend? A.—No.

Q.—Why did they not attend? A.—I do not know.

Q.—Did they take the position that the meeting of the 9th was not properly called? A.—Could not tell you.

Q.—Have you a copy of the notice calling that meeting? A.—I have not it here with me. I have a copy of it at the office.

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Q.—I should like to have it if you will send for it? A.—I think Mr. Wilson has it.

MR. WILSON: You will have to get that in the morning.

MR. TILLEY: Was the meeting adjourned from the 9th to the 10th?

A.—The meeting was adjourned on the 9th to meet at 4 o'clock on the 10th. I think the minutes are in the book here.

Q.—Well they are not signed, but you say that that was the fact. The meeting was adjourned to meet again at the same place, at 4 o'clock on the 10th August? A.—Yes.

Q.—When you met on the 10th August was the Board differently constituted? A.—Yes.

Q.—Who had arrived in the interval? (No answer.)

MR. TILLEY: Can you say when that was posted, Mrs. Fife?

MRS. FIFE: It was posted that day.

Q.—The western members were there on the 10th? A.—Yes.

Q.—Did you tell them what you had done on the 9th? A.—No.

Q.—Why not? A.—Well I do not know why the President did not do it.

Q.—Did you discuss that with Mr. Campbell too? A.—Yes.

/ Q.—Because in going over those minutes I notice there is not a word said as to what you had done the day before, in fact the whole discussion that took place on the 10th and 11th is on the basis that nothing was done on the 9th at all. Is that right? That is a fair statement is it not? A.—It was a peculiar meeting, it was a hard thing for me to judge.

Q.—Why? A.—Well, the eastern people claimed their meeting was regular, and they adjourned to meet the next day at four o'clock, and they went to the office, and the western people had given the eastern people due notice, but they had been there an hour before probably, prior to the meeting.

Q.—That is on the 10th? A.—Yes, they appointed a Chairman.

Q.—Whom did they appoint chairman? A.—Mr. Carruthers. Then the eastern people objected very strongly.

Q.—They urged that Mr. Gordon should be in the Chair? A.—Yes.

Q.—And that took up about an hour? A.—Yes, I guess two hours, and they got him in the chair, and then they discussed a lot of matters which you see according to the minutes here, and they called a meeting

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and appointed a Committee to settle the difference.

Q.—Who were the members of that committee? A.—Mr. Gordon, Mr. Taylor, Mr. J. T. Gordon, Mr. Brunet, and Mr. Desaulniers. They were on the Committee, and were to report to the meeting next morning. I do not know if there is any report there.

Q.—You cannot remember whether that Committee made a report? A.—Well they made a verbal report.

Q.—What was their verbal report? A.—I guess the verbal report was a report that they had a meeting and it went on—that was all there was to it.

Q.—What was the upshot of the meeting? A.—The upshot was this, that the Executive resigned, the old Executive, and they appointed a new Executive.

Q.—Then there were other matters talked over? A.—I do not know what they were. They did not amount to anything.

Q.—Were the western members appointed on the Executive? A.—Yes.

Q.—Was the resolution to change the head office from Winnipeg back to Toronto, which appears to have been passed on the 9th, rescinded? A.—No.

Q.—Do you say that that resolution is not effective now? A.—Well I understand our solicitor says it is not.

Q.—That resolution on the 9th reads in this way:—

“That the head office of the Monarch Life Assurance Company be and the same is hereby changed from the City of Winnipeg to the City of Toronto, and that the by-laws providing for meetings in the City of Winnipeg shall read as if Toronto inserted where Winnipeg now is. (Carried.)”

And your solicitor advised you that the meeting on the 9th was invalid? A.—Yes.

Q.—And you say that the old resolution stands whereby the head office is now in Winnipeg? A.—Yes.

Q.—Have you done anything since in regard to the moving of the head office? A.—We are all ready to move as soon as this is over.

Q.—Have you called any meeting? A.—No.

Q.—Have you called a meeting for to-morrow? A.—Yes, but that meeting was cancelled.

Q.—Why was it cancelled? A.—Owing to the solicitor's advice.

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Q.—Why? A.—Because the head office is not here.

Q.—But was in Winnipeg? A.—Yes.

Q.—And you are not holding any meeting to-morrow? A.—No.

Q.—I will put in the stock certificates, and I should like to have the other certificates that are still in the vault to-morrow if you please so that we can make them part of this exhibit. You say there are some certificates still in Winnipeg? A.—Yes.

Q.—Are there any other papers in Winnipeg? A.—I do not think there are any more—oh yes, the minute book is there.

Q.—Are they signed by Mr. Gordon? A.—Which?

Q.—The certificate in Winnipeg? A.—No.—some of them are and some of them are not.

Q.—Some are signed by Gordon and some not? A.—Yes.

Q.—Are some signed by the Vice-President? A.—Yes, two or three signed by the Vice-President.

Q.—You do not know how many there are? A.—No.

Q.—Nor how many shares there are? A.—I can tell you in the morning.

Q.—How can you do that? A.—There is a record of it.

Q.—Where is it? A.—It is not here.

Q.—I should like to have it? A.—It is a memorandum.

Q.—A memorandum you made at the time? A.—Yes.

(Stock certificates exhibit 420.)

Q.—You knew I suppose that you could not get a license until you had paid \$62,500 in cash? A.—Yes.

Q.—How much had you paid in in cash according to your returns? A.—It was all cash—\$62,000.

Q.—I see here \$63,870 paid in in cash? A.—On stock. That would make the 10 per cent. on the 6,330 shares.

Q.—In order to get that result with regard to the capital stock, did you transfer any moneys that were paid in on premium and treat it as capital stock? A.—No.

Q.—Have you paid in anything in cash yourself? A.—No., Yes I did. I qualified some of them to become Directors, and took their notes and discounted them, and paid in the money myself.

Q.—What is that? A.—I took a couple of shareholders' notes and discounted them personally myself, put the money up and turned it in to the company.

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Q.—That is some shareholders, instead of paying in cash, had given notes for their payments? A.—Yes.

Q.—You took those notes? A.—I took their notes.

Q.—What did you do with the notes? A.—I gave the company the cash.

Q.—Did the company discount them or did you? A.—No, the company did not discount them.

Q.—What is the meaning of the account in the books, "Bank of Nova Scotia stock account"? A.—That is premium account. All that is on premium goes to that account.

Q.—And all that is on capital stock, where does it go? A.—Everything that says stock, goes to stock account, and everything that says premium goes to premium account.

Q.—You say you discounted those notes for some of the shareholders, and paid in the cash, and the company was not a discounting by the company? A.—No.

Q.—And yet the company has an account here for discounting shareholders' notes? A.—That is sometime ago, that is before these were all taken up a year ago.

Q.—Here is an account commencing June, 1905, and running to May, 1906? A.—They were all discounts.

Q.—Of what? A.—Notes.

Q.—Shareholders notes? A.—The company discounted those notes, and put them in stock account.

Q.—And treated it as cash? A.—They did not work under that.

Q.—What do you mean by that? A.—They just laid there.

Q.—You did not use the money? A.—No.

Q.—You did not treat it as an asset. Did they show that as bills and notes, or did they show it as cash? A.—They referred to it as bills receivable.

Q.—You did not treat these moneys realized by the discounting of shareholders notes and apply it on their stock? A.—We discounted it in order to say it was cash instead of notes.

Q.—So that the cash is made up partly of items that represent discounting of notes made for the purpose of treating it as cash? A.—At that time yes.

Q.—Take your own stock; did you pay in cash on it? A.—Yes. How much did I pay in, Mr. Vansickle?

MR. VANSICKLE: \$10,000.

WITNESS: I gave a cheque for it.

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Q.—You got a cheque from the company and gave a cheque back? A.—I gave a cheque for the \$10,000.

Q.—The book-keeper says that was a cross-entry giving you credit for the amount of your stock, and treating it as paid on account of your commission? A.—I gave a cheque for that. There was more cash than that. I gave a cheque for \$10,000 and another cheque.

Q.—I notice that you treat the stock issued to Mr. Wilson as paid by cash. That was not quite a correct statement of that was it? A.—Yes, we had his cheque. It was fully paid stock. He gave him own cheque for it, and we paid him \$1,500 for services.

Q.—And it was checked back was it? A.—No.

Q.—Do you supervise the keeping of the books? A.—No.

Q.—Who does? A.—The auditors.

Q.—How often do the auditors come round? A.—Once a month.

Q.—Are they all got up for the auditors then? A.—No.

Q.—Here in your journal entries seem to be put in and struck out just at leisure, ruled out with red ink, and in the month of June entries on page 140, stock for the 31st May, and then page 141 blank, 142, 143, and then you commence in June without any date of the month and put in two pages of entries which are simply written across "cancelled" in red ink.

MR. VANSICKLE: In opening up a new set of books, after closing the year 31st May, in opening up a new set of books entirely, to deal with the insurance work, there were some accounts to be adjusted, and I left room for that purpose.

MR. TILLEY: To adjust some accounts afterwards.

MR. VANSICKLE: Bèg pardon.

MR. TILLEY: Was it on Mr. Ostrom's suggestion?

MR. VANSICKLE: No. I left room there. I did not know what it might be.

MR. TILLEY: You skip from 149 to 161 and make three or four entries for July, and make two entries for August after skipping some pages at 167.

MR. VANSICKLE: The auditor told me to leave several pages in the journal for entries that I may not have gotten in correctly, and he might want to change.

MR. TILLEY: Then you left these blank pages on the instructions of the auditor.



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MR. VANSICKLE: Yes, on one instruction.

MR. TILLEY: On a suggestion?

MR. VANSICKLE: Yes. That a few pages might be necessary, to leave lots of room.

MR. KENT: I should like to have that gentleman called and examined. It is a most extraordinary state of affairs.

MR. TILLEY: I shall have him called.

Q.—You say the bookkeeping does not come under your notice very much? A.—No. The accountants are there and the auditors are there to supervise it, and to see that it is correct, once a month.

Q.—What account is the account that you called the Ostrom note account? A.—I gave a note for stock for 100 shares.

Q.—Amounting to how much? A.—I forget how much it was. I think it was \$3,500. I do not remember now. It is a long time ago.

Q.—Is it so that you have forgotten all about it? A.—Pretty near.

Q.—It is about time the company brought suit to get it paid is it not? The bookkeeper says there is an entry for \$300 paid of commission in December 1905 on your stock in addition to the other items? A.—Yes, I think there is another one.

Q.—You gave the note originally for \$3,500 apparently in March, 1905. Have you ever paid any interest on that? A.—I guess interest is charged up, is it not? I do not think I did.

Q.—Why not? A.—Because I did not have the money I guess.

Q.—You gave the company your note and when it came due the note is to be renewed from time to time. Is that right? A.—No, I intend to pay it off.

Q.—But the note is kept renewed? A.—No, it has not been renewed—it has been renewed once I think or twice.

Q.—And then how was the interest treated? Was it added to the note? I see in December, 1905, on the 21st there is this entry: "Interest debtor to T. Marshall Ostrom, note account \$109.57, being refund of interest allowed T.M.O., having been charged on notes at the rate of 6 per cent." So that the interest having been charged up in the account here is a journal entry wiping it out. On

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whose instructions was that done? A.—I do not know.

Q.—Well, it was for your advantage. Do you mean to say some person instructed it other years? A.—I gave no instructions for that.

Q.—That is page 72 of the journal? A.—I am always willing to pay my interest. I gave no instructions to have it cancelled that way.

Q.—You will let that interest be charged up again? A.—Yes.

Q.—We can take that as a consent now? A.—Yes.

Q.—You do not want to wait for the Directors to make the request first? A.—No.

Q.—\$109.57? A.—Yes.

Q.—Has other interest not been written off from time to time? A.—I think there has, without authority.

Q.—Well, done by whom? A.—Well, I do not know. By the bookkeeper we had, and he did things on his own order, and he was probably dismissed on that account.

Q.—Who dismissed him? A.—I did.

Q.—Did you dismiss him on that account? A.—No, not on that account. It was on several. That was one of them.

Q.—It was not on account of that one item you dismissed him, because that would seem to be almost cruel to dismiss him for that. (No answer.)

Q.—Has Dr. Perfect paid his note that he gave for stock? A.—No.

Q.—He has not paid anything? A.—No.

Q.—Has he paid any interest? A.—No.

Q.—Has that been wiped off? A.—I do not think so. There has been no order for me to wipe it off.

Q.—Some person must be responsible for these entries. Here on September 20th, 1905, interest debtor to A. H. Perfect, note \$58.21, being refund to Mr. Perfect for interest on notes due September 8th; and it sets out the notes. There can be no question about that? A.—There may be a minute of the provisional directors.

Q.—Why should the provisional directors do it? A.—I say there was no authority unless from the provisional directors, and he got it from the minutes. If not, he took it upon himself to wipe it off.

(Commission adjourned to 10.30 a.m. to-morrow.)

## SESSIONAL PAPER No. 66

## SIXTY-FIRST DAY.

Toronto, Wednesday Sept., 5th 1906.

## MORNING SESSION.

Examination of T. MARSHALL OSTROM, resumed, by MR. TILLEY:—

Q.—Mr. Ostrom, did you bring with you the other— A.—No. I wish to make a statement to the Commission, if you will permit me, on those certificates. Before I went to Quebec those certificates, in packing up the minute books—Mr. Gordon was there that morning, and buying the tickets for the Directors and everything, the certificates, the Secretary tells me, were taken in to him, and he only signed a few of them. The others were put with the minute books and other things, and I took them to Winnipeg, intending to get them signed in Winnipeg, and carrying them around in my pocket, they were not signed. I made a statement yesterday that they were, but that is not correct. I have refreshed my memory. I left them with the clerk. Coming away in a hurry I left them.

Q.—You say now the certificates were signed in your office, those that were signed by Mr. Gordon, not on the train going to Winnipeg? A.—I will make a further statement; the cancellation—

Q.—Never mind the cancellation; those that he signed were signed in your office? A.—Yes.

Q.—That he stopped signing merely in the rush— A.—For the simple reason that he wanted to get the train.

Q.—The rush of getting away? A.—Yes.

Q.—Then you took the balance of the certificates with your other papers to Winnipeg? A.—Yes.

Q.—To get them signed there? A.—Yes.

Q.—When you say the balance of the certificates, do you mean all the certificates that were taken out of the certificate book, or do you mean the balance of your 1,400 shares? A.—The balance of the 1,400 shares.

Q.—Did you take any certificates except the necessary certificates for those 1,400 shares with you? A.—No.

Q.—Are you positive about that? A.—As far as I can remember I do not think I took any more. They were put up in one parcel. I was not there when Mr. Gordon was signing the certificates. Of course I was down at the bank.

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Q.—Was the Secretary in the room when he was signing them? A.—Yes.

Q.—So that this information comes from the Secretary? A.—Yes.

Q.—Then you say you took them out to Winnipeg and you gave the certificates to the hotel clerk? A.—Yes.

Q.—Why did you give them to the hotel clerk? A.—Well, they were in my pocket, and I had been carrying them around for a couple of days, and I asked him to take care of them. I intended to call for them which I did not.

Q.—You left a number of blank certificates, you do not know how many? A.—I have not the number of them because they were not signed.

Q.—Some blank certificates that were not signed? A.—Yes.

Q.—You had all the company's papers with you at Winnipeg in the shape of minute books and other books and documents? A.—Yes.

Q.—And you must have had some place of safe keeping for these, or where did you keep them? A.—I kept them in my room.

Q.—But you take blank certificates which are not signed by any person? A.—Yes.

Q.—And give them to the hotel clerk? A.—Yes.

Q.—Intending to get them again? A.—Yes.

Q.—And yet yesterday you told us they were in the vault of the hotel, because you were going to move to Winnipeg, and you left them there till the head office was moved there? A.—I had been out to Winnipeg, and I did not know exactly what had become of them. I was not sure. I asked you to give me time to look into it so that I could give you the correct statement of it which I have done.

Q.—I was crowding you a little too fast on your memory yesterday, and your memory could not quite keep up? A.—No.

Q.—You said that there was a certificate book in the office that you did not bring, for some 100 or 200 shares? A.—Yes.

Q.—Have you that? A.—I have not it with me.

Q.—Where is it? A.—I cannot just put my hand on it.

Q.—Have you looked for it? A.—I have not, it did not come to my memory.

Q.—Why did you not? A.—It did not come to my memory.

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Q.—Do you know where it is? A.—I could not put my hand on it just now.

Q.—We will let you have the afternoon to find it, and we would like it to-morrow morning? A.—All right.

Q.—That is the only certificate that is signed? A.—The only one.

Q.—Except the certificates we have. When you took the books and papers with you to Winnipeg did you take the corporate seal as well? A.—No.

Q.—Where did you impress the corporate seal on the by-law? A.—The by-law?

Q.—Yes? A.—Do you mean the amended by-law in Winnipeg?

Q.—Yes? A.—At the office here.

Q.—When you came back, or before you went out? A.—No, when I came back.

Q.—Were the resolutions that appear in the minutes as passed in Winnipeg and the by-law prepared here before you went out? A.—No, not to my recollection.

Q.—Well, you ought to know? A.—No.

Q.—Who prepared them? A.—I think they were prepared at the meeting.

Q.—They show signs of careful preparation? A.—I do not know anything about the by-laws or the minutes. I did not take them. Mr. Desaulniers was secretary and he may have prepared them. He is a lawyer.

Q.—At any rate you had nothing to do with that? A.—No.

Q.—Was the Mr. Campbell you consulted in Winnipeg a shareholder in your company? A.—No.

Q.—What Campbell was it? A.—Just a solicitor, I was introduced to him.

Q.—What firm? A.—I have forgotten now. He had a partner.

Q.—You do not know the name of the partner? A.—I have forgotten it now.

Q.—Do you know his initials? A.—I think it was F. J., I am not sure.

Q.—And you were consulting him both before and after the meeting. I suppose you were consulting him between the adjourned meetings? A.—No, I just wanted a little information. I did not consult him fifteen minutes.

Q.—Was it on some particular point? A.—It was some particular point that was brought to me by some of the Directors.

Q.—What point was that? A.—I have forgotten now exactly what it was.

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Q.—You told us yesterday you were consulting him all the time you were there? A.—No, I beg pardon, I do not think I said that.

Q.—You said you were consulting him generally on the matters that came up. Can you tell me what it was you consulted him about? A.—I do not remember.

Q.—You do remember what you told us yesterday, that you did not give any information about the 1,400 shares on the advice of the counsel that you did consult. You remember that? A.—That is about all, yes.

MR. TILLEY: If your honors will permit me, I will ask Mr. Ostrom to step down, and take some other witness for the present.

ROBERT ROGERS, sworn. Examined by

MR. TILLEY: Q.—You are a Director in the Monarch Life Assurance Company? A.—Yes.

Q.—And you have been a Director ever since the permanent Directors were appointed? A.—Yes.

Q.—You were not one of the provisional Directors, were you? That is, the original Provisional Directors? A.—No, not the original Provisional Directors.

Q.—You became a Director subsequently? A.—Yes.

Q.—How many shareholders' meetings have you attended? A.—Well, just the one.

Q.—On what date was it held? A.—I think it was in March last.

Q.—March 21, 1906, there was a meeting? A.—Yes, that is the one.

Q.—Had you attended any other Directors' meetings or committee meetings prior to that? A.—Not unless I did the morning before the—

Q.—There was a Directors' meeting preceding that shareholders' meeting? A.—I do not know that you could call it a meeting. It was a general talk.

Q.—Some minutes are entered up, so I suppose that stamps it as a Directors' meeting. Will you just indicate what you understood Mr. Ostrom, the Manager of the Company, had been receiving prior to that organization meeting on the 21st March from the company? A.—Well, I do not think I had any knowledge of what he was receiving.

Q.—Did you know what his salary was? A.—No, I had never asked the question.

Q.—Did you know whether he was getting a commission on stock? A.—No, I had never asked the question.



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Q.—Did you know prior to the meeting as to any arrangement as to the issue of paid-up stock to him for some copyrights? A.—Well, a day or two before we left Winnipeg—what I mean by that is that a number of Directors and stockholders left Winnipeg to come and attend this meeting. We got a notice to this effect: That Mr. Ostrom was expecting 1,400 shares of paid-up stock.

Q.—That is in the notice calling the meeting? A.—Yes.

Q.—You were notified that one of the objects of the meeting would be to consider some arrangement with him for 1,400 shares? A.—Yes.

Q.—That is the first intimation you had on that subject? A.—Yes.

Q.—So that when you came to the shareholders' meeting on the 21st March you had not full detailed information about these matters A.—No.

Q.—Then did the question of ratifying first his agreement as to remuneration come up for discussion? A.—Not at the Directors' meeting—not at the shareholders' meeting.

Q.—The notice said that that agreement would be submitted, but it was not submitted? A.—I do not think so.

Q.—I see there is nothing in the minutes about that agreement? A.—No.

Q.—Did the agreement for the issue of 1,400 shares of stock come up for consideration? A.—It was mentioned, yes, and decided to leave it over to be dealt with by the Directors to be elected.

Q.—I notice there was a resolution and an amendment as to that. Do you remember that it came up in that form? On page 18 of the minutes of that meeting this resolution appears:

"That the agreement made with T. Marshall Ostrom in regard to copyrighted and other proposed plans of insurance as reduced to writing, and made by the provisional Directors, be, and the same is hereby, authorized and confirmed."

Then this amendment was proposed by Mr. Hutchinson, seconded by Mr. Campbell:—

"That the said agreement being one relating to the operations of a company doing general life insurance, it be referred to the Board of Directors just elected, to be dealt with at their first meeting." The amendment was carried? A.—Yes.

Q.—So that partly possibly because of lack of information, and partly because it was thought the new Direc-

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tors should deal with the matter, it was left in that shape by the shareholders? A.—Well, I for one did not understand what it meant.

Q.—You were not prepared to sanction it then for lack of knowledge? A.—For lack of knowledge.

Q.—Then the Directors' meeting was held immediately after the shareholders' meeting on the 21st March? A.—Yes.

Q.—And what action was taken with regard to that agreement at the Directors' meeting do you remember? A.—No, I do not remember that any particular action was taken.

Q.—It was then referred to a meeting— A.—To a meeting to be held in Winnipeg.

Q.—The first step taken by the Directors at that meeting was to change the head office from Toronto to Winnipeg? A.—Yes.

Q.—And then the resolution apparently was carried that Mr. Ostrom be manager of the company upon the terms agreed upon by the provisional Directors, and reduced to writing by agreement dated 21st March, 1906, subject to such increase to Mr. Ostrom as may be agreed upon by Mr. Ostrom and the Board of Directors. Do you remember that resolution? A.—Yes.

Q.—That was carried? A.—I think so.

Q.—Do you remember whether the agreement was submitted to the meeting? A.—Well, we had a copy of it. It was handed over to Mr. Campbell.

Q.—Was it then executed, do you know, or was it a draft? A.—I think it was a draft.

Q.—It was a draft agreement? A.—Yes.

MR. TILLEY: Did you get that draft agreement, Mr. Ostrom.

MR. OSTROM: No, I telegraphed for it, but they cannot find it in the office.

Q.—Did you read it over? A.—No, I did not. But Mr. Campbell read it over, I think, and Mr. Taylor.

Q.—They did not read it to the meeting? A.—No.

Q.—So that you cannot say whether certain terms that we find in the agreement now were in it or not? A.—No, but Mr. Campbell could tell you.

Q.—Then the next resolution was that the matter of the agreement relating to the insurance plans of Mr. Ostrom after some consideration be postponed, as he also the matter of reward to the Executive for past services. They referred to some discus-

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sion about voting the \$25,000 stock. A.—No, as I understood it, it referred to the matter of fees for the provisional Directors for the number of meetings that they had attended. I had never heard any mention of stock.

Q.—Or the issue of \$25,000 of stock to them? A.—No, I never heard of that.

Q.—Then a further Directors' meeting was held on the 5th April, 1906, and this resolution appears at page 151; that the matter of the agreement with Mr. Ostrom relating to insurance plans be referred to the Executive, when the Hon. Mr. Rogers can be present? A.—Yes.

Q.—Did you know that that resolution was passed? A.—No, I did not.

Q.—You see that the Executive were to deal with it sometime when they could meet with you? A.—Yes.

Q.—Did the Executive ever meet with you on that subject? A.—I was not aware that we had an Executive.

Q.—Well the minutes seem to refer to an Executive, although the Act of incorporation does not authorize an Executive Board, in fact the proposed by-law was amended by striking out the power to delegate business to an Executive Committee, but apparently they have acted on the assumption that there is an Executive Committee. At any rate you never met with any Committee, Executive or other Committee? A.—No.

Q.—Did Mr. Gordon ever obtain your sanction to any Committee meeting and dealing with that contract in your absence? A.—I was passing through Toronto when I understood Mr. Gordon was attending a meeting, and I told him then that I did not consider that they had any power to hold a meeting, as the former meeting had adjourned to meet in Winnipeg, and that they could not possibly hold a meeting here.

Q.—That is the meeting— A.—On the 21st March.

Q.—Are you speaking now of the Directors' meeting of the 21st March? A.—Yes.

Q.—At the end of the Directors' meeting it was noted in this way. "The meeting then adjourned to meet in Toronto at the call of the General Manager." A.—Well, that is not correct.

Q.—That is not what occurred? A.—No.

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Q.—Is that impressed on your memory, that you remember what was said at the end of the meeting? A.—Yes, most distinctly, and why I had it so distinct in mind is that I wrote Mr. Wilson, who was Secretary of the meeting at the time for a copy of the minutes, and I received I think the original minutes that he entered at the time, and Winnipeg appeared where Toronto appears there.

Q.—In Mr. Wilson's draft? A.—Yes.

Q.—Wilson being the Secretary who sent you his draft of the minutes? A.—Yes.

Q.—And the adjournment there was to Winnipeg? A.—Yes.

Q.—Do you know then how the word Toronto is here instead of Winnipeg? A.—No, I have no idea.

MR. LANGMUIR: Is that draft to be filed?

MR. TILLEY: I think probably that draft will be mentioned again.

Q.—Were those particular minutes produced at the Winnipeg meeting subsequently? A.—No, I do not think they were.

Q.—Were they not produced at the meeting in August? A.—No, I do not think it.

MR. HELLMUTH: The word "Toronto" is not in alignment with the other words, if you will look at it.

MR. TILLEY: Q.—Then Mr. Rogers, what do you say on that point isers what you say on that point is that if your consent was ever necessary to the issue of 1,400 shares to Mr. Ostrom for his copyright, that that consent has never been obtained? A.—Never.

Q.—Never been obtained? A.—No.

Q.—Then the head office having by resolution been moved to Winnipeg, what next transpired about that? Did the company make any effort to move up there? A.—Well, they told us time and time again that they were about to move every week or so, and we arranged offices there, and made all preparations, and that sort of thing, and the office has not been moved up to the present time, and then I might say the principal excuse for delay was that the license had not been issued at Ottawa, and this having been done on the 19th July, I think we got together, those interested in the west, and decided we should take some definite action, and by request of three or four, I think it is, of the Directors, a notice was

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issued for a meeting there on the 10th of August.

Q.—You then considered the right of some Directors to call a meeting? A.—Yes.

Q.—And you found that it required three or four Directors to issue the notice, and you issued one accordingly? A.—Yes.

Q.—For a meeting of Directors at Winnipeg on what date? A.—On the 10th of August.

Q.—It is said that the Directors met in Winnipeg on the 9th August? A.—I did not know that.

I have heard that since I came to Toronto.

Q.—Did you get any notice of that meeting on the 9th? A.—I think we did, just the same day it was being held.

Q.—You got a notice the same day it was being held? A.—Yes.

Q.—Did you attend the meeting? A.—No.

Q.—Why not? A.—Well, we called the meeting for the day following, and some of our Directors had not received the notice at all.

Q.—So that you attended the meeting on the 10th August and not on the 9th August? A.—Yes.

Q.—Did you know that a resolution was passed on the 9th August at what was said to be a meeting on the 9th transferring the head office back to Toronto? A.—I did not know that till this morning, I heard that this morning.

Q.—There was a long meeting on the 10th? A.—Yes.

Q.—And was it adjourned to the 11th? A.—Yes.

Q.—But nothing was said during the meeting on either day as to a change of the head office from Winnipeg to Toronto? A.—No.

Q.—There was some question raised at the meeting on the 10th as to the qualification of some of the Directors, was there not? A.—Yes, that was discussed.

Q.—What was the question in issue there? A.—Well, some of the Directors who were elected at our general meeting on the 21st March did not appear as Directors according to the report.

Q.—That is to say in the list of Directors elected as you say, they were elected at the meeting of the 21st March, the minutes do not contain their names? A.—No.

Q.—What persons do you say were elected whose names do not appear in the minutes? A.—I think there was a Mr. Burns, and a Mr. Lane of Calgary, if I remember rightly.

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Q.—And any others? A.—Not that I remember of.

Q.—Here are the minutes of the 21st March at page 17 of the Shareholders' Minute Book and those two names do not appear. Can you say what names are on the list who were appointed, according to your recollection? A.—We discussed that in Committee, and there were the names of Mr. Desaulniers and Mr. Brunet.

Q.—Of Montreal and Quebec? A.—I do not know where—both Montreal I think.

Q.—Those two persons whose names are on the list as appointed according to the list you say were not appointed at the meeting? A.—I do not think so, not according to the copy of the names we had as being elected on the 21st March.

Q.—And are you referring again to the draft minutes produced by Mr. Wilson, or sent to you? A.—Well, I am referring—I think we had there a copy of the list of Directors elected on the 21st March as made out by Mr. Ostrom.

Q.—When did you have that? At Winnipeg? A.—Yes.

Q.—Did it agree with this list in the minutes? A.—No.

Q.—At the meeting in Winnipeg Mr. Ostrom produced a list which was correct, do you say? A.—We had a list he had given us at Winnipeg some months before.

Q.—You had a list prepared by Mr. Ostrom, and which was the list—A.—As we understood to be correct.

Q.—And that does not agree with the minutes either? A.—No.

Q.—Was there any other question raised at the Winnipeg meeting as to the personnel of the Board of Directors? A.—Well, some objection to one or two Winnipeg Directors who had not paid their calls, who had gone in on the strength of the head office going to Winnipeg, and were prepared to pay their money and become Directors in that sense.

Q.—One or two Winnipeg Directors had subscribed on the understanding that it was to be a company with the head office at Winnipeg? A.—Yes.

Q.—And they were objecting to pay unless that resolution was carried out? A.—That was it.

Q.—They were prepared to pay when the head office came to Winnipeg? A.—Yes.

Q.—And unless the head office came to Winnipeg they would not pay? A.—Yes.



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Q.—What Directors were those? A.—Well, I know Dr. Rogers was one, and I am not sure—I do not know whether Mr. White paid or not—I am not sure.

Q.—How was that matter settled at the Winnipeg meeting—and of course that would be on the 10th, because there was no discussion on the 9th at all; that was a very harmonious meeting, although you cannot speak of it, but at the meeting on the 10th, was there any other matter that was discussed? A.—Well, we discussed—oh yes—we discussed a good deal of the correspondence that had taken place of course.

Q.—About moving the head office? A.—Yes.

Q.—The suggestion being that the General Manager was not sincere in his— A.—That was the implied suggestion.

Q.—And he was excusing his delay on one ground and another? A.—Yes.

Q.—Omitting that feature—because probably there is nothing much turns on that now—what discussion took place as to the 1,400 shares for his copyright? Do you remember that? A.—Well yes, that question was raised, and Mr. Gordon was asked if any of this stock had been issued, and he made a very positive statement that it had not, but he found some days before, when he was signing some stock, that he had signed 90 shares of this stock, not knowing that he was signing it, and that it was not going into effect.

Q.—He told you he had signed some shares— A.—Signed them by mistake.

Q.—And that as a matter of fact the transaction was in the same shape that it was on the 21st March at the shareholders' meeting? A.—Exactly.

Q.—Nothing had been done to prejudice the shareholders? A.—No.

Q.—Mr. Ostrom was there? A.—Yes.

Q.—Was the Vice-President there? A.—Well, I am Vice-President.

Q.—I thought that Mr. Graham was Vice-President? A.—The 2nd Vice-President, I believe.

Q.—Was Mr. Graham there at the meeting? A.—Yes, I think so.

Q.—And did either Mr. Ostrom or Mr. Graham make any statement to the contrary as to the 1,400 shares? A.—No.

Q.—It appears that at page 156 there is a resolution at a meeting of the Executive Committee, which seems to have been composed on that day

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of D. M. Gordon, M.P., T. Marshall Ostrom, D. W. Livingstone, and T. H. Graham, and that that Committee passed a resolution reciting the purchase of copyrights, passed by the provisional Directors on March 9th, and read and confirmed by shareholders on March 21st, but that is not correct? A.—No.

Q.—As these minutes show, that is not correct, because the amendment carried and it was not confirmed on the 21st. It says, "And referred to the Executive Committee, 5th April, 1906, at which meeting a minute was moved and carried that the same would be dealt with by the Executive at their next meeting." That is not quite correct. "And whereas it was understood that when the Executive would deal with this minute confirming this matter the Hon. Robert Rogers would be present, as he informed the Managing Director he would be present, but the Managing Director, fearing Mr. Rogers would not be able to attend on that day, postponed the meeting to this date, April 12th, and whereas owing to the urgent necessity of getting ready and forming our policy, and settling the suit which is now pending, the Executive have decided that they must deal with the copyright plan." And then it confirms the purchase. Then there was some discussion as to an amendment of that, but it was left in that shape. Now you did not know of that action of the Executive Committee, or what was called an Executive Committee? A.—No.

Q.—On the 10th of August? A.—No.

Q.—Possibly did not know of it until— A.—Later on I heard it.

Q.—When did you hear it? A.—Oh, I do not remember. Sometime after when I spoke to Mr. Gordon about it he told me he was not present when any resolution was passed.

MR. LANGMUIR: Q.—Mr. Rogers was present at the meeting on the 10th? A.—Yes.

Q.—Can you recall whether the minutes of the preceding meeting of the Board were read on that occasion?

MR. TILLEY: The minutes of the meeting of the 9th? A.—No. It was not suggested there that a meeting had been held on the 9th even.

MR. TILLEY: As I understand from you, and from going over the shorthand notes of what took place on the 10th and the 11th there was nothing said at all about the meeting on the 9th. That was intentionally kept

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quiet one would think. A.—It was never mentioned.

MR. LANGMUIR: Q.—You are perfectly certain the minutes were not read? A.—Oh no. Such a thing as a meeting was never suggested.

MR. TILLEY: Then in the same way you do not know of course that the stock certificates had actually been issued? A.—No. Well we asked Mr. Gordon of course. This question had been asked him, and he stated positively that he had not, that he had signed 90 shares by mistake.

Q.—And they were cancelled? A.—Yes.

Q.—It turns out the 1,400 shares had been issued, some signed by Mr. Gordon, and some by Mr. Graham? A.—That is all news to me.

Q.—Have the shareholders at any time ratified the agreement with Mr. Ostrom relating to his remuneration? A.—No, not that I know of.

Q.—The Directors on the 9th apparently approved of his agreement, but it was not delegated by the Directors to the shareholders? A.—No.

Q.—And it has never been up subsequently for confirmation by the shareholders? A.—We have had no meeting since that.

Q.—And if the agreement with the Directors for payment of the remuneration to him requires the confirmation by the shareholders it is still incomplete? A.—Still incomplete.

Q.—When did you know that the company was issuing policies? A.—Well I cannot say when. I do not understand how they are issuing policies yet.

Q.—Why do you put it that way? A.—For the simple reason that when we had our annual meeting on the 21st March everything was left in abeyance to be settled and decided upon at a meeting to be held in Winnipeg, which was never held till the 10th August, and then no action was taken further than the arrangement for the immediate removal of the head office there, when the matter of business connected with the company would be taken up, and any business in my judgment carried on since the 21st March is entirely illegal.

Q.—As between the Directors and its manager you mean, at any rate? A.—Yes.

Q.—It was never intended that the active operations of the company should be started in Toronto at all? A.—Never.

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Q.—And it was a surprise to you when you found they were actually issuing policies before they got their head office established in Winnipeg?

A.—Yes. I am not clear on this, but I think that question was asked Mr. Gordon in Winnipeg, and he assured us that no policies had been signed. I am not clear on that.

Q.—In referring to the 1,400 paid up shares, I think I have been using the same expression, and I think probably Mr. Rogers has. What you mean, and what I mean, if I may make my statement at the same time, it is 1,400 shares with 10 per cent. paid on the shares—paid up to the extent to which calls are paid on other shares? A.—Yes.

Q.—Making \$49,000 stock? A.—Yes.

Q.—And the other \$1,000 was cash according to the arrangement? A.—Yes.

THOMAS H. GRAHAM, sworn.  
Examined by MR. TILLEY:—

Q.—What position do you hold in the Monarch Life? A.—Well I am supposed to be elected since the last meeting of March 21st as 1st Vice-President.

Q.—What do you say? A.—I was on the 21st March elected 1st Vice-President.

Q.—On March 21st you were elected 1st Vice-President? A.—Nominated by Mr. Ostrom, and seconded by D. W. Livingstone, and then it was read by Mr. Gordon to that effect, and there was some misunderstanding since, I do not know how it occurred.

Q.—There is some misunderstanding as to whether you or Rogers is the 1st Vice-President, and which one is second? A.—Yes.

Q.—You have been acting on the assumption that you were the first Vice-President? A.—Yes, because that is the way it was read to me at the meeting on the 21st March.

Q.—You have been acting on that assumption too when you signed your name? A.—Yes.

Q.—You have signed as the 1st Vice-President? A.—Yes.

Q.—Did you come into the company at Mr. Ostrom's request? A.—Well, partly his, and Holmstead's, the lawyer.

Q.—Holmstead the lawyer and Ostrom both spoke to you about going into the company? A.—Just over the 'phone.

Q.—So that it did not take long to decide it? A.—No sir.

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Q.—Were you acquainted with Mr. Ostrom before? A.—Very slightly, just met him once or twice.

Q.—And you could not be regarded then as an intimate friend of his? A.—No sir.

Q.—To what extent have you been called on to sign documents for the company? Have you ever been asked to sign except in regard to documents in which Mr. Ostrom was interested? Outside of that have you ever been asked to sign? A.—No.

Q.—You have never signed anything at all except where Ostrom was interested? A.—That is for the company.

Q.—You have never signed as an officer of the company any documents? A.—I do not remember.

Q.—Unless the document was with Mr. Ostrom personally; is that right? A.—I do not remember of anything.

Q.—I see that you sign one or two agreements, and some stock certificates? A.—Yes.

Q.—They were in favor of Mr. Ostrom personally; you knew that? A.—Some of the stock, yes.

Q.—Some of the stock was? A.—The certificates.

Q.—Did you sign any stock certificates that were not in his favor? A.—Yes.

Q.—You signed some that were not? A.—Yes.

Q.—In whose favor were they? A.—I could not say.

Q.—Were they in blank? A.—No, they were filled in with the name of the person.

Q.—But you do not know in whose favor? A.—No.

Q.—Do you know how many? A.—I could not tell you that.

Q.—Did you ever sign stock certificates on more than one occasion? A.—Yes.

Q.—Where did you sign them? A.—In my office.

Q.—In your office? A.—Yes.

Q.—They were sent up to you for signature? A.—Yes.

Q.—Who brought them to you? A.—One of the subordinates down in the office.

Q.—Not Mr. Ostrom personally? A.—No.

Q.—Did you know they were being sent to you to sign? A.—Not until they came up.

Q.—Well you know why they were sent to you? A.—To be signed.

Q.—Why they were sent to you instead of being signed by Mr. Gordon? A.—No, I had done that when he was absent before.

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Q.—But did you not know there were certificates in the book signed by Mr. Gordon in blank so that they could be filled in by any person? A.—No, I did not know that.

Q.—Do you remember signing an agreement as Vice-President with Mr. Ostrom as Manager of the company? A.—I may have.

Q.—That is exhibit 411.— Do you remember signing that document? A.—Yes.

Q.—It is the agreement with Mr. Ostrom as Manager, dated 21st March, 1900? A.—Yes.

Q.—Do you remember signing that? A.—Yes.

Q.—When did you sign it? A.—I do not know just the time.

Q.—Months ago or weeks ago, or days? A.—It is not months.

Q.—Did you sign it within the last week? A.—No.

Q.—Two weeks? A.—I could not say.

Q.—Do you know whether that is Mr. Gordon's signature, or is that done with a stamp? A.—I could not say that I am sure.

Q.—Do you know whether there is a stamp? A.—No, I could not say.

Q.—Did you sign this other agreement exhibit 415? A.—Yes.

Q.—Did you sign that at the same time that you signed exhibit 411? A.—I do not know. I could not say.

Q.—You did not sign many agreements did you? A.—Those names were on before I signed.

Q.—All the other signatures were on both documents before you signed? A.—Yes.

Q.—So that Mr. Gordon had apparently signed as President when you signed as Vice-President? A.—It was there when I signed.

Q.—I should like to know a little better just when you signed these documents, if I could get that information? A.—I do not remember.

Q.—Could you say which one of them you signed first? A.—I could not.

Q.—You cannot say which one you signed first? A.—No.

Q.—Did you sign either of them in the month of March last? A.—I could not say.

Q.—I want to know whether it was 5 or 6 months ago or 5 or 6 weeks ago, or 5 or 6 days ago that you signed these documents? A.—I could not say.

Q.—You remember the signing of them? A.—I remember signing them, I could not say just when.



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Q.—I am not asking you just when. I am asking you to fix it as well as you can. You can tell whether they were signed in the month of March or August, or possibly September? A.—It may have been in August.

Q.—Is it not a fact that it was in August? A.—Well, I do not know. I signed a good many papers.

Q.—You did not sign a good many agreements, these were signed after you came back from Winnipeg? A.—I do not know.

Q.—Tell me the best you can on that subject. They were not signed before you went to Winnipeg, either one of them? A.—Not that I remember of.

Q.—Is it not your recollection that they were signed after you came back? Is that not your recollection? A.—It would be after I came back.

Q.—That they were both signed? A.—Yes.

Q.—Was it sometime after you came back? A.—I do not know how long it was.

Q.—Did you come back with Mr. Ostrom? A.—No.

Q.—Did you come back before him? A.—I left Winnipeg on Saturday at 7.30.

Q.—That would be Saturday after the 10th, after the meeting? A.—Yes.

Q.—In the evening? A.—Yes.

Q.—When did he leave? A.—I do not know. I did not see him from the afternoon about 3 or 4 o'clock. The last time I saw him he was in a carriage.

Q.—How soon did you see him after you came back to Toronto? A.—Not until the meeting.

Q.—When did you have the meeting? A.—The bank meeting.

Q.—Are you connected with the Monarch Bank? A.—Yes.

Q.—So that you did not see him until you had some meeting of the Monarch Bank. When was that held? A.—I do not know exactly what date. It was on a Wednesday.

Q.—In August? A.—Yes.

Q.—Towards the end of August? A.—Could not say just when.

Q.—You will be able to get that date for us if it is material, will you? A.—Yes.

Q.—The bank records will show that? A.—Yes.

Q.—Had you signed these agreements at the time of that bank meeting? A.—No.

Q.—You had not signed them at the time of the bank meeting? A.—No, I did not sign them there.

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Q.—And they had not been signed up to that time? A.—I could not say.

Q.—You cannot say whether you had signed up to that time or not? A.—No, or whether it was just after the meeting.

Q.—It was sometime about the meeting? A.—Yes.

Q.—Had you signed the stock certificates up to that time? Looking at these stock certificates you see a lot of them are signed with your name, T. H. Graham. This is No. 17 for 100 shares, dated 12th January, 1906? A.—I signed that away back.

Q.—Do you remember why you signed that? A.—Because I —

Q.—Were you first Vice-President before March? That is January, 1906? You were not Vice-President then? A.—No.

Q.—So that you could not have signed that as First Vice-President before March, could you? A.—No. I was not Vice-President up to the 21st March.

Q.—You were not Vice-President up to the 21st March, and therefore that must have been signed after the 21st March; is that right? A.—Yes. After that meeting I was Vice-President.

Q.—You would not sign as Vice-President before you were appointed? A.—Not likely.

MR. KENT: I would like the witness to say whether he did or not.

WITNESS: I did not.

MR. TILLEY: Q.—We want to know whether you did or did not sign as Vice-President before the meeting of the 21st March, either 1st or 2nd Vice-President? A.—2nd Vice-President.

Q.—You signed as 2nd Vice-President? A.—Yes.

Q.—That is before March? A.—Yes.

Q.—But you never signed as 1st Vice-President until after March? A.—I do not think so.

Q.—Can you not say definitely? A.—I do not remember.

Q.—You have not signed very much. There must be a lot of certificates we cannot find if you have? A.—I could not remember.

Q.—Before March if you signed at all it would always be as 2nd Vice-President, and after March as 1st Vice-President. That is so is it not? A.—That is right.

Q.—These certificates commencing with No. 76 would all seem to have been signed at the same time. They appear to have been signed at the

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same time. Would you not think so?  
A.—They look like it.

Q.—Do you not remember signing a great bunch of certificates one time? A.—Yes.

Q.—These are the ones? A.—Yes.

Q.—How many did you sign that time? A.—One lot of 14; 14 and 7; 14 of 20 shares, and 7 of 50 shares.

Q.—Did you sign both of those at once? A.—Yes.

Q.—Fourteen of 20 shares and 7 of 50 you signed at once? A.—Yes.

Q.—Did you sign any other lots? A.—That is all.

Q.—Those were the last. Did you sign any other lots of certificates before in Mr. Ostrom's favor? A.—No, I do not remember any before.

Q.—Here we come to the 20 share lots. There are 12 twenties here? A.—There must be more than that.

Q.—There must be two more some place. And here are the 50's There are the seven 50's. These are not signed by you. These are signed by Mr. Gordon. We have the right number of 50's, but not the right number of 20's? A.—I thought it was as I stated.

Q.—There may be some in here? A.—I was in a hurry and may have counted wrongly.

Q.—You are quite right, there were 14. I was wrong in counting them? A.—Yes.

Q.—That would be certificates for 630 shares that you signed? A.—Yes.

Q.—Did you count those at the time? A.—I counted them over to see how many there were.

Q.—Why did you count them? A.—In case I was asked how many I signed.

Q.—Were you to sign a certain number? A.—No.

Q.—Did you know how many you were to sign? A.—No.

Q.—Would you have signed 100 shares if they had been presented? A.—No, not so many as that, because I had been in the habit of signing of course I signed.

Q.—They were all filled out to Mr. Ostrom? A.—Yes.

Q.—Did you notice that they did not run in regular order? A.—No, I did not notice that.

Q.—Did you know why they were being issued? A.—No, I cannot say that I did.

Q.—Did you know they were being issued for the 1,400 shares? A.—Yes, I thought so.

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Q.—You thought they were being issued for the 1,400 shares? A.—Yes.

Q.—Had you not been told that they were for the 1,400 shares? A.—No.

Q.—You had heard Mr. Gordon say at Winnipeg that those shares had not been issued? A.—Yes.

Q.—And that the shareholders had not been prejudiced in any way? A.—Yes.

Q.—You heard him tell the meeting that? A.—Yes.

Q.—Then these were presented to you to sign after that meeting? A.—Yes.

Q.—After you came back from Winnipeg? A.—Yes.

Q.—At the same time that you signed the two agreements? A.—Not the same time.

Q.—Shortly afterwards or shortly before? A.—These were signed very recently.

Q.—The certificates were signed very recently? A.—Yes.

Q.—Then the certificates were signed after the agreements? A.—Yes.

Q.—If the agreements were signed in August after your return, and these were signed more recently, just tell me when these were signed? A.—Yesterday morning.

Q.—Just before the company was to be investigated here? A.—At about half past nine—about 9.30.

Q.—Where were they signed? A.—In my office.

Q.—Who took them to you? A.—One of the office girls.

Q.—Which one do you know? A.—Miss Moore.

Q.—Did you get any telephone communication before they came to you? A.—I do not remember.

Q.—Did you hear from them? A.—Some person 'phoned to find out if Miss Moore had left my office.

JUDGE MAC TAVISH: Q.—Mr. Tilley wanted to know whether you made any communication with the Monarch office by telephone before you signed the certificates yesterday morning? A.—Not that I remember of.

MR. TILLEY: Q.—Do you say the only conversation you had yesterday morning was the message to know whether you were in? A.—No, I did not say that.

Q.—When did you first talk with Mr. Ostrom about those certificates? A.—I did not speak to him at all about that. Now when I remember Mr. Ostrom left there in the morning

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for me, and Miss Moore called for them.

Q.—That is more definite. Mr. Ostrom left them with you in the morning at half past nine? A.—Before that it was. Early in the morning.

Q.—How early? A.—Nearly half past eight.

Q.—At half past eight Mr. Ostrom called with them? A.—When I come to think of it, yes.

Q.—Were you at your store then? A.—My office, no, I got there about half past eight and he had gone.

Q.—Having left these? A.—Then Miss Moore came for them.

Q.—What message did he leave with these? A.—He did not leave any message with the boy, but 'phoned and told me to sign those.

Q.—Who 'phoned to you? A.—I don't know who it was, whether it was Mr. Ostrom or not. There is so much 'phoning.

Q.—You do not have so much 'phoning as that with Mr. Ostrom? A.—Not with him, no.

Q.—You do not sign certificates so often on telephone messages. Would you sign a certificate on a telephone message from some office boy in the Monarch office or in some institution? A.—No, I don't know who 'phoned.

Q.—You must have had some talk with Mr. Ostrom before that? A.—No, I did not.

Q.—Didn't you know those certificates were coming up to you? A.—Not until he left them there for me to sign.

Q.—Hadh't you talked with him about the possibility of getting them signed? A.—No.

Q.—Didn't he tell you about the Commission going to investigate matters? A.—Before I went to Winnipeg he sent them up to sign.

Q.—You refused to sign? A.—I told him I had not time, I was too busy, so he took them back.

Q.—That was what we might call a bluff about being too busy to sign a few certificates? A.—No, it was not a bluff.

Q.—You could endorse that number of cheques for deposit in the bank before going to Winnipeg? A.—Oh yes, but I was too busy that afternoon.

Q.—But you could have signed your name nineteen times if you had thought it the proper thing to do? A.—I could not do it very well because I had a patient I could not leave that long, operating on.

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Q.—Didn't you give Mr. Ostrom an excuse so that you would not have to sign them before you got back to Winnipeg? A.—No, I didn't say that.

Q.—I am not saying you said that, but wasn't that the fact, were you not trying to put him off? A.—I don't know as I was.

Q.—Was it a clerk that brought them to you before you went to Winnipeg? A.—Yes.

Q.—His clerk could have waited until your patient was away? A.—I don't know. I could not attend to him then.

Q.—You could have signed them a dozen times before you went to Winnipeg? A.—No I could not, not when they brought them to me at the time, just before I was going to Winnipeg that day.

Q.—He was then trying to get them signed? A.—Yes, he wanted them signed then.

Q.—Did he ever ask you on any other occasion to sign those certificates? A.—Not that I am aware of.

Q.—Or did he discuss with you the propriety of signing them? A.—No.

Q.—Did you ever say anything to him about it? A.—No.

Q.—You knew that Mr. Ostrom wanted to get them signed, didn't you? A.—No, I didn't know until he brought them up here. On Tuesday morning, he left them and he wanted me to sign them.

Q.—That is yesterday he left them and wanted you to sign them? A.—Yes.

Q.—You knew he was getting something done that the shareholders in Winnipeg did not want him to have done? A.—Oh, I don't know that.

Q.—You were at the meeting? A.—I was there, yes.

Q.—And you knew the shareholders out there did not want him to get those certificates for the present? A.—I thought he would have a right to them.

Q.—I am not asking you about that. They did not want him to get them, leaving out the question of right now, that was their position at Winnipeg, was it not? A.—I believe it was, yes.

Q.—Now then, that being their position at Winnipeg, you knew that you were doing something, yesterday morning, in signing those certificates, that the shareholders in Winnipeg and the West did not want done? A.—Well, according to the—

Q.—Something they did not want done, that is all I am asking you?



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A.—I do a good many things, perhaps—

Q.—Just this one thing and then we will take up others afterwards. You knew you were doing something yesterday morning that they did not want you to do? A.—I don't know as I did. I didn't think of it in that way.

MR. LANGMUIR: Did he submit the resolution of the Board, or any resolution authorizing these to be signed and issued? A.—No, not that I remember of.

Q.—You just simply took it by having them left at your office? A.—Yes.

Q.—And no explanation? A.—That is all.

MR. TILLEY: Did you attend any meetings where that agreement was discussed after the meeting of March when the shareholders met. A.—How soon after? The 21st?

Q.—From that time until now. The shareholders met and they decided not to adopt the agreement for the issue of that stock, but to leave it for the new directors. You remember that?? A.—I think I remember that there was a motion to that effect.

Q.—That was the amendment and it was carried? A.—Yes.

Q.—Have you, from that time until now, attended any meeting of any Board or any Committee where that agreement has been discussed? A.—At Winnipeg.

Q.—Any other? A.—I cannot remember. There was one meeting after the 21st.

Q.—A meeting after the 21st on the same day? A.—Mr. Rogers was to attend.

Q.—At a meeting of the Executive? A.—Yes.

Q.—Was any meeting of the Executive ever held? A.—There was one meeting held and Mr. Rogers was to be there and he did not come. I think he had to go to Chicago.

Q.—And that meeting adjourned without doing anything? A.—I don't remember that.

Q.—What do you remember about the meeting? A.—I don't remember it.

Q.—Was that agreement adopted? A.—I don't remember whether it was or not.

Q.—Do you remember any meeting in April, 1906 of the Executive Committee? A.—That is the one that I think I have reference to that we had there, that Mr. Rogers was to attend.

Q.—These Minutes refer to some meetings on the 10th and 12th of

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April and this one is on the 12th. You remember the one of the 12th? He was not there and the meeting was adjourned until the 12th, thinking he would be there? A.—Yes.

Q.—Were you present at that meeting of the 12th? A.—I was present at a meeting when he did not—

Q.—He did not turn up? A.—He turned up but he did not come into the room I think.

Q.—Was that the 10th or 12th? A.—I could not say.

Q.—Was that a meeting at which a resolution was passed about that agreement or did it stand for a day or two? Will you tell me, Mr. Graham, leaving that, why he did not come into the room, according to your understanding? A.—I understood he had to go to Chicago.

Q.—Didn't he take the position that there was no such thing as an Executive Committee connected with the Monarch Life? A.—I don't know whether he did or not.

Q.—Was Mr. Ostrom annoyed that he did not come into the meeting? A.—Well, he just told us, or some person in the room told us that he had gone to Chicago.

Q.—Did you ever hear a resolution—I don't want to read it all again—it commenced reciting the resolution of the Provisional Directorate to adopt the agreement and the reference of the matter to the Executive and stating that Mr. Rogers was to be present, but as he did not come to the meeting it was decided to ratify and adopt that agreement. Were you there? A.—Yes, I remember now being there during that.

Q.—Do you remember that coming up for discussion? A.—Yes.

Q.—Was that passed? A.—I don't remember that.

Q.—But you distinctly remember that resolution being made? A.—Yes.

Q.—And you were at the meeting? A.—Yes, I think so.

Q.—The Minutes say you were not at the meeting. A.—I was just going to say that there is only one or two meetings that I have been to, since the 21st March.

Q.—How many have you been to since the 21st March? A.—One or two, I think. I may be mistaken about that.

Q.—Did you ever have them ring you up over the telephone, and read minutes to you and get you to say, that is all right. A.—Well yes.

Q.—Is that the way the business is carried on? A.—No, very seldom.

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Q.—How many times has that been done? A.—Very, very seldom.

JUDGE MacTAVISH: You seconded a motion by telephone, according to the evidence yesterday, I understood. A.—Yes.

MR. TILLEY: And moved some more?

JUDGE MacTAVISH: Do the minutes of that meeting disclose whether the doctor was present or not?

MR. TILLEY: It is given in this way: "T. H. Graham was called up by 'phone and the minutes were read to him." Then the resolutions commence and the first is moved by Livingstone, seconded by Graham, the next by Livingstone, #seconded by Graham, and another moved by Graham, seconded by Livingstone. You take alternate positions in the making and seconding all the way through, and the Minutes cover five pages. Do you say all those Minutes were read to you? A.—Oh no.

Q.—And seven resolutions, of which you were either mover or seconder? A.—They were not all read to me.

Q.—And I do not suppose that this long resolution about adopting the agreement for the issue of that paid up stock was read to you either? A.—No.

Q.—On what authority then did you sign these certificates? A.—Because I had been in the habit of doing it when the President was not here.

Q.—But this was a special case, Mr. Graham, because you know there was a dispute on between Mr. Ostrom and the Western members of the Board of Directors, did you not? A.—Yes.

Q.—You could not be at the Winnipeg meeting without knowing that? A.—Yes.

Q.—It was a case of, keep quiet and don't commit a breach of the peace, and some person else to sit down, a pretty lively meeting. A.—Very interesting.

Q.—And that being the case, don't you think it was your duty to ask Mr. Ostrom to refer you to resolutions of meetings of directors and shareholders authorizing these certificates to be issued? A.—As I told you before, I had been signing before, and I thought it was all right in this case.

Q.—Although you knew you were helping Mr. Ostrom to get something completed before the Commission sat? A.—Not any more than the rest of the Board. Just the same as the rest of the Executive Committee.

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Q.—That is yourself, Mr. Livingstone and Mr. Ostrom. A.—Yes.

Q.—You see the Executive Committee had not the power, they had to confer with Mr. Rogers. Now, did you discuss with Mr. Ostrom afterwards why he sent those up to you? A.—No.

Q.—Not even this morning? A.—No.

Q.—You have not complained of his getting you into that position with the company? A.—No, I told him I was going to tell when they were signed, and that is all.

Q.—Did he ask you not to tell when they were signed? A.—No.

Q.—What did he suggest to you? A.—Well, nothing more than that we talked it over.

Q.—He took you out of the Court room? A.—No. Well, he took me out, yes.

Q.—And the question of telling when they were signed, I suppose was hinted at between you? A.—I told him I was going to tell when these were signed.

Q.—You told him you were going to tell when they were signed, but it took you a long time to get it out, did it not, notwithstanding your resolution? A.—Well—

Q.—Did he make any remark when you said that? Didn't he say it was no use doing that? A.—No, he didn't say it was no use.

Q.—What did he say? A.—He said "Very well."

JUDGE MacTAVISH: Your statement was in answer to something he said to you, I suppose? A.—Yes.

Q.—You did not volunteer that statement. What was said? A.—He said that he had sent them up to me before, and that I didn't have time to sign them and then he sent them up after I came back from Winnipeg, do you see?

MR. TILLEY: He put it this way to you, "I sent them up to you before you went to Winnipeg and you had not time, and then, after you came back, I sent them up?" A.—Yes.

Q.—That was supposed to be the story? A.—Yes.

Q.—But you told him you were going to say exactly when they were signed? A.—Yes.

Q.—He thought after you came back from Winnipeg would be sufficiently definite? A.—I don't know about that.

Q.—That is the idea you took from what he said? A.—Well, I didn't think about that at all. I just told him what I was going to do.

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Q.—Was there anything else discussed as to what you were to say? A.—No.

Q.—Have you told us everything that took place regarding the execution of these stock certificates? A.—As far as I know of, yes.

Q.—And the agreement? A.—Yes.

Q.—Did he tell you why he wanted your name on the agreements? A.—Well, no, I don't think so.

Q.—You ought to be able to say that, whether he gave you any reason; here was Mr. Gordon's name on and then he gets your name on, why did he do that? A.—Well, I didn't have time to read these all over and I didn't know why.

Q.—So, therefore, you signed them without reading, is that the explanation? A.—Yes.

Q.—But nothing at all said to you why your name should go on under Mr. Gordon's? A.—No, there was nothing said to me.

Q.—And you asked no questions? A.—No.

Q.—And you did not read the documents through? A.—I thought they were all right when Gordon had signed them, the Managing Director.

Q.—Are you Vice-President of any other institution? A.—No.

Q.—Are you of the Monarch Bank? A.—Just a director.

Q.—Did you ever hear of a Vice-President signing a document after the President had signed it, and the Managing Director and the corporate seal was on it? A.—That is one of those?

Q.—Yes. That is the condition of both these documents. Did you ever hear of that being done in any other case two or three months after they are executed to have the Vice-President put his signature on? A.—I don't remember of it.

Q.—And you don't know why it was done in this case, is that right? A.—Yes, I don't know why.

Q.—You did it simply because Mr. Ostrom asked you? A.—Yes, and Mr. Gordon's name was on.

Q.—And, I suppose, partly because your relations with Mr. Ostrom were fairly intimate, because of your being on the Bank Board and this Board, both being companies he is organizing? A.—It did not affect me in that way at all.

Q.—Can you say what did affect you, because, surely something affected you to do this? A.—I took it for granted that it was all right when Gordon's name, the Managing Director, was on there.

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Q.—If it was all right why didn't you leave it alone? A.—I had to sign it, to complete it.

Q.—To make it doubly right? A.—That is all thank you, Mr. Graham.

JOHN I. SUTCLIFFE sworn, examined by Mr. Tilley:

Q.—Mr. Sutcliffe you are an auditor are you not? A.—Yes.

Q.—Carrying on your business in Toronto? A.—Yes.

Q.—And you have been the auditor of the Monarch Life for some months, have you not? A.—Since March of this year.

Q.—Were you employed before or after the Statement was made up on which to get the Dominion license? A.—Before.

Q.—And part of your work, I suppose, was to prepare the Statements for the obtaining of that license in a general way without auditing the books, possibly? A.—Not quite so far as that even; before I was appointed auditor, I was appointed by the directors to instruct the various book-keepers that the Monarch Life had in their duties, how to keep the books, and I had been doing that up to the time of my appointment as auditor. After that I continued the same work, but not to such a great extent because the book-keeper was then becoming more familiar and it was not necessary for me to give him very many instructions.

Q.—Then has your work been of the nature of an auditor's work in certifying to monthly statements or has it been just simply supervision of the book-keeping? A.—Up to March of this year my duties were merely to supervise the book-keeping; to teach the book-keeper how to make proper entries of the transactions which he told me about; and since my appointment as auditor my duties have been to vouch those entries that have taken place since the inception of the company, and at a time—some time not yet stated—which would be the finish of their first fiscal year, I would then be expected to give them a certificate as to the correctness of those entries.

Q.—Then do I understand from you that no direct request has been made to you yet to give a certificate? A.—I have not been asked to give a formal certificate covering the usual auditor's certificate, but I have been asked to make informal reports on several occasions.

Q.—Have you not been asked for more than that, Mr. Sutcliffe? A.—It may have been intended that I should give more than that, but I



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never entertained the idea and I could not say that it was expected of me.

Q.—I see that you were appointed auditor on June 9th, 1905, by a formal resolution. A.—No, on June 9th, 1905, I was appointed to take charge of the company's books. The word auditor could not be mentioned.

Q.—Let us see the resolution. You are quite right, you were asked to take charge of the books until other arrangements be made. A.—Yes.

Q.—Then on the 7th March, 1906: "Moved by Mr. Scott, seconded by Mr. Graham, that the General Manager have a statement of the company's affairs, including assets and liabilities, made out and audited, to be laid before the shareholders at their meeting." That would be in preparation for the meeting of shareholders which was to take place on the 21st March. A.—Yes, I remember that.

Q.—You understood that that resolution had been passed. A.—Yes.

Q.—Were you asked then to give a properly audited statement for that meeting of shareholders? A.—I was asked to audit that statement. That statement was not prepared in time to audit, and I wrote them a letter stating that I had not time to audit it and there were a number of matters which would have to be cleared up and rectified on the books, before there could be any audit.

Q.—Was that all put in the shape of a letter? A.—Yes.

Q.—Have you a copy of that letter here? A.—Yes.

Q.—Would you let me have it? A.—(The witness produces a document.)

Q.—This a letter written on the day the shareholders' meeting was held; it is addressed to Mr. Ostrom, and will be Exhibit 421. (Read and filed.) Attached to that letter is a copy of the book-keeper's statement. Now, Mr. Sutcliffe, what item was it that you referred to as not being deposited in the Company's bank. A.—A sum, an item of \$1,500.

Q.—In respect of what? A.—As far as my recollection goes it was a payment on stock. Possibly it was made by a cheque that it was not expected would be cashed for some time, or it may have been in connection with a transfer of stock. I would not like to say whether it was a transfer of stock or a payment on fresh stock. At any rate there was the item and it had not been deposited

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and I asked for an explanation and I was told—

Q.—Can you tell me whose stock it was? A.—It was, I think, in connection with stock originally held by Dr. Forbes Godfrey.

Q.—That is a number of shares of stock held by Dr. Godfrey that were afterwards transferred to Mrs. Fife? A.—Yes.

Q.—What was your objection to that transaction? A.—The Bank did not show that the money was deposited?

Q.—Whose money, whose cheque? A.—Dr. Perfect's.

Q.—Dr. Perfect's cheque in respect of Dr. Godfrey's stock? A.—It was then Mrs. Fife's stock, presumably. The transfer had not been properly made and I wanted the whole matter cleared up.

Q.—Of the transfer? A.—Well, there should be a transfer book kept by the company giving the particulars of each transfer. This transfer was not recorded on the company's books and I wished that done.

Q.—The only reference to the transfer would be in the Minutes? A.—I think the minute authorised that transfer, yes.

Q.—That is the minute on page 146? Apparently it was first on the 21st March, 1906, a meeting of the directors held before the shareholders' meeting, "it was resolved that the assignment of stock being 100 shares upon which \$500 had been paid on stock and \$1,250 on premium by Dr. Forbes Godfrey to Minnie Florence Fife, is hereby consented to and ratified and confirmed, such assignment having been executed by Dr. Godfrey on 31st May, 1905 and accepted by Mrs. Fife on the same date." That is where the date 31st May enters into it. Apparently the transaction was supposed to have been put through on the 31st May, 1905. A.—Possibly. I do not recall.

Q.—Some previous date anyway? A.—Yes.

Q.—And you say that after the supposed transfer to Mrs. Fife there was a cheque outstanding amounting to \$1,500. A.—The way I looked at it was, there was \$1,500 which should be in the bank and which was not in the bank and I understood it was in connection with that stock; I was satisfied at the time that it was in connection with that.

Q.—Is this the account? Dr. Forbes Godfrey it is headed, and then "transferred to M. F. Fife." Is that

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the stock? A.—This is the account, Dr. Forbes Godfrey's account, and that is the allotment.

Q.—Originally it is entered an allotment of 50 shares? A.—Yes.

Q.—And then the 50 is simply struck out with ink and 2 put above it; then the figure 2 is first in the column and that is struck out and 50 put in? A.—This is in Mr. Ostrom's writing here and he mistook the columns, that is all, and I just changed the columns.

Q.—Is that word "allotment" in Mr. Ostrom's writing? A.—No, that is my writing, to make the entry clear.

Q.—Then Mr. Ostrom had simply made a mistake in the columns? A.—Yes.

Q.—Amount \$5,000 and balance owing to premium \$750. Now, how is it that these payments on stock and on premium have been so entered and erased and then re-entered and so on? It is rather odd book-keeping? A.—Yes.

This entry was made here in the same way; it was merely put into the book as an original entry, whereas it should have been posted from the book of original entries, the Cash Book. Consequently I had them posted properly from the book of original entry and then I audited them as correct, paying no attention to that. It is just superfluous entries.

Q.—There is a great deal of erasing of entries all through the book? A.—Not so much erasing of entries.

Q.—Take Mrs. Fife's account? A.—That has no more meaning there than a blot on the book; because there should be an entry made here referring to the book from which it came. This is only an analysis of the entries made in the book of original entry and this analysis should be posted from such books and these entries here were made under my instructions properly from the books of original entry.

Q.—But that was at a later date? A.—Yes.

Q.—But originally Mrs. Fife was put down as the owner of 100 shares with \$1,000 paid on the stock and with the premium all paid? A.—Apparently. I would pay no attention to those as they have no meaning. It does not say where they came from. It is not an entry of a transaction, it is an analysis of the entries of the transaction in the books of original entry.

Q.—That is what it is supposed to be? A.—Supposed to be, and I would not notice that at all. I would have them written up properly and audit the proper entry.

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Q.—These are the credits that should go in respect of that stock? A.—Yes.

Q.—And these you can vouch for? A.—Yes, excepting this \$400.

Q.—Which is struck out? A.—This was put first to premium. This is a true entry and it has been altered, changed from premium and paid on stock. That is an alteration, a changing of an entry such as you referred to a moment ago, but of a different character from those.

Q.—Do you approve of that way of transferring? A.—That is one of the matters that has yet to be cleared up. I don't think it is a matter of any consequence, but I wanted them to have legal advice as to whether a payment, having been entered on the book as made on the premium, could be transferred to the stock. Not that I think it is of any consequence, but I wanted to know if it would be correct from a legal standpoint.

Q.—Mr. Wilson points out that non-payment of a call on stock makes the stock subject to forfeiture; so it might make a considerable difference whether paid on premium or stock? A.—That is what I wished to enquire. It is entirely unsettled; I have not passed on the item at all under consideration.

MR. KENT: In whose handwriting are these first entries that are cancelled and changed?

MR. TILLEY: In any particular account? Take Mrs. Fife's, for instance. In whose writing are these entries, where it shows the stock paid up and the premium paid? A.—These first entries here, those two lines are in Mr. Ostrom's writing.

Q.—Mr. Ostrom's own writing? A.—Mr. Ostrom's own writing.

Q.—We understood from him yesterday that he never bothered with these books? A.—He did not. This was the way; he had no book-keeper and he attempted to set forth, he obtained this book and attempted to set forth the names of shareholders and amounts; not being a book-keeper he did not clearly understand how it was done. Then the books were sent to me and I showed the book-keeper how these entries should be made. This was not done as a matter of book-keeping, it was as if he took a sheet of paper and set down what was done.

Q.—You think when Mr. Ostrom put \$1,000 in a column he would not know what that meant? A.—It would be very apt to mean 1,000 shares and not \$1,000 paid.

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Q.—Has this \$1,500 cheque been cleared up yet? A.—It has been cleared up to this extent that the matter I first questioned, the company receiving the actual money, and being credited by the Bank with that money, has been done. The question is still open as to whether proper transfers have been made between all the parties.

Q.—But the money has been placed to the credit of the company? A.—Yes.

Q.—That is no longer left open? A.—No, and I understood and I did see a cheque issued by Dr. Perfect and which was to be paid at some time.

Q.—What sort of cheque was that? One issued and to be paid at some time; was it a cheque that was being carried and held in the cash book? A.—It was a cheque that would be put into the bank and presented for payment, but returned unpaid and charged back. I would not consider it payment at all.

Q.—Was that being carried in the cash book? A.—Yes.

Q.—Some place in the company's safe? A.—Yes.

Q.—And not being pressed for payment? A.—I don't know about that. I presume it was not.

Q.—Has that cheque been paid? A.—I couldn't say. I think probably it was transferred by Dr. Perfect; probably he never paid anything and the new owner of the stock paid the \$1,500; I think that is the way it was straightened out.

Q.—Has Dr. Perfect transferred his shares? A.—I have not seen a proper transfer yet. I understand he has transferred those shares.

Q.—And has ceased to be a shareholder? A.—Dr. Perfect had other shares besides those.

Q.—Something was said yesterday about a payment of \$500 by Dr. Perfect. Was that in relation to the cheque or on other stock? A.—No connection with this transaction at all. This was the Forbes Godfrey stock.

Q.—Which was standing in Mrs. Fife's name? A.—Yes. As I understand it, it was a transfer that the directors desired to have made and wanted it landed somewhere else.

Q.—Why did they want it landed somewhere else? Did they want to get rid of Dr. Godfrey? A.—Possibly they did, possibly Dr. Godfrey wished to retire.

Q.—And they were willing to let him? A.—I don't know as to that.

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Q.—He was a director and had not paid for his stock. A.—Oh yes, he had paid for the stock.

Q.—Was there any other difficulty about giving an audit of the books on the 21st March? A.—I think that letter contains the whole of it. I could not add anything I think to that letter.

Q.—Are there any other difficulties in your way about giving an audit now? A.—Some of those difficulties still exist. That \$400 transfer from premium to stock should be considered.

Q.—Anything else? A.—There was a Statement that was made up by one of my staff as at the 31st May. This is the Statement I would refer to, not saying anything about the audit, because very little has been done on the books since the 31st May in the way of an audit. Do I understand you to mean what objection would there be to passing this Statement at the present time?

Q.—At the present time? A.—At the present time I am ignorant of the condition of affairs since the 31st May.

Q.—You have not been checking it since the 31st May? A.—Very little. One of my assistants probably have done something in the cash book, something of that sort.

Q.—I understand you were preparing a Statement for a meeting that was to have been held to-day and that an audited Statement would be presented to that meeting to-day. A.—I know nothing of it.

Q.—You are not getting one ready? A.—No.

Q.—Mr. Ostrom told us yesterday, I think, that there would be a Statement in a day or two, a properly audited Statement as of the 1st September that was now being completed. A.—Yes, Mr. Ostrom is right in this way; he asked me about a week ago to hurry up the audit and get it completed and I said I would give him a complete list of these things I wanted straightened out in order that I might be able to give a certificate.

Q.—Have you given him that list yet? A.—No. When we went down on Monday to do this work we were informed that the Commission was meeting this week and that they would be too busy to have us working on the books this week.

Q.—Would the transaction regarding the 1,400 shares of stock for the copyright be one of the matters that would prevent you giving an audi-



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tor's certificate? A.—If Mr. Ostrom was credited with his payments there would be certain things necessary for me to see, such as an agreement amongst the securities of the company giving the terms of the payment, and that agreement ratified by the directors and shareholders.

Q.—You were preparing the Statement as of the end of March or May, which? A.—The end of May. I

would like to say in regard to preparing a Statement, it was merely putting in a brief form, the information that was then on the books without reference as to whether it was correct or incorrect.

Q.—Then what position at the end of May was the transaction in as to the 1,400 shares of stock? A.—It was not on the books at all. That is it had been on the books and had been reversed.

Q.—It had been on the books twice before that and had been reversed. A.—I should not be surprised.

Q.—It was on the books twice and struck off twice, and at the end of May it was not on the books? A.—No. I can tell you how the minutes read in that respect. I went through the minutes.

Q.—What did you find the minutes said? A.—I gathered from the minutes that this transaction was put through and properly passed upon by the shareholders a year before this meeting of March, 1906.

Q.—The shareholders could not pass on anything a year before that, because under the Act there is no authority to call the shareholders together before a certain amount is paid in and so on. Before that organization meeting in March the shareholders could not do anything because under the Act the \$62,500 had to be paid before that. A.—As a matter of fact there was a meeting of shareholders at which this agreement was submitted. The shareholders' meeting may have been irregular, but there was such a meeting and this agreement was passed upon and then put upon the books. I have never, as I say, audited that, but I knew that this was the case.

Q.—You knew there was a subsequent entry on the books rescinding that? A.—I was going on to say there was a subsequent entry rescinding that, made by the directors on the minutes.

Q.—And with the consent of Mr. Ostrom? A.—Yes.

Q.—So that that took it entirely off the books? A.—That took it entirely

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out. As to any other entries regarding the 1,400 shares I have no knowledge except that I have seen an entry put on the books and marked out.

Q.—When making up your statement for the end of May it would be part of your duty to go over the minute books? A.—Certainly.

Q.—And you did go over the minute books? A.—Yes.

Q.—Was there any minute in the minute books up to the end of May of any meeting in 1906, authorizing that to go on the books again? A.—I don't recall that. That was one of the things I would examine in looking over that Statement to see whether it was a correct statement or not; I would look to see whether all the provisions of the minutes had been put out upon the books. I have not done that. That would be part of my duty as auditor to do.

Q.—But you would know up to the end of May, or your man would, that there was no minute here of April 12th, there could not have been an entry on April 12th authorizing that issue of stock. Here is an entry which now appears in the minutes of the 12th April. That could not have been in existence, could it? A.—Yes, that was in existence.

Q.—Did you see it? A.—Yes.

Q.—When did you see it? A.—Oh before the 31st May.

Q.—What attention did you pay to that? A.—Well, in my reading of the minutes I remember seeing this minute.

Q.—How could you see that minute and still say it was off the books because that minute brings it off the books again.

Q.—But I did not say it was off the books.

Q.—Yes, I understood you to say that it had been cancelled and at the 31st May it was off the books. A.—I mean I did not say it should not be on the books. Off the books but not off the minute books. I am speaking of the books of account and as I say that Statement is taken from the books of account without reference as to whether it is correct or incorrect.

Q.—If that resolution was there you could not disregard it. A.—In auditing, certainly not. That is one of the things that I wished straightened out before I could give a certificate.

Q.—That could not have been treated by Mr. Ostrom as a transaction which gave him a right to that stock, because in the statement to which he has sworn, for the Government, in June 1906, a couple of months after-

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wards, he puts himself down merely for 600 shares and he would have had 2,000 shares if these 1,400 shares were his? A.—Yes. I was going on to say that a moment ago, when I was saying what I knew of this transaction. It was taken off the books and then there was this minute authorizing it to be put on the books, but it never had been put on the books and Mr. Ostrom had never taken credit by virtue of this authority.

Q.—And in the Statement he swore to as late as the 26th June he was disregarding that minute entirely for the purpose of the Government return? A.—Entirely.

Q.—And you were disregarding it entirely in any Statement you were making up as at that date? A.—That I think is hardly the way I would put it. In my absence in the country a member of my staff was asked to go to the office and assist the book-keeper in drawing up a Statement of what was on the books of account. He had no authority to go through the minute books and to audit a Statement. I did not consider it at all necessary. I was not asked to audit or certify to any Statement in a professional way. To add to the book-keeper's knowledge of accounts my man was asked to show him how to put the accounts that were on the books into shape.

Q.—Did you see any agreements with Mr. Ostrom covering the amount of his remuneration, when you were going through the books? A.—Yes.

Q.—What is the basis of his remuneration under his present agreement? A.—Well, there have been more than one. I couldn't say exactly for that reason. I could not give you the exact terms of the present one.

Q.—Were you ever shown this agreement? A.—I was shown one similar to that, if not probably that one.

Q.—Cannot you tell me more definitely, because I would like to know whether there is another document, that is somewhat similar and yet not quite the same? A.—Well, I couldn't say as to that.

Q.—This is dated the 21st March, the day of the shareholders' meeting? A.—I couldn't help you there at all. I was shown an agreement about the time the agreement was made.

Q.—Was it signed? A.—No, I think not.

Q.—Then that cannot be the document. At least it is not now in the shape it was when you saw it? A.

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—Possibly not. I could not say at all. But that seemed to be the arrangement in the agreement I saw, unexecuted.

Q.—You mean to say that the amount is the same; you are not saying that the whole outline of the agreement is the same, you have not had time to look this over? A.—I just saw that the salary was to be \$5,000 and the payment of a trifling—a small amount, say a dollar on so many thousand dollars' worth of stock subscribed, or rather insurance sold, and that the agreement covered a period of years. I noticed those three things and those three things are the things that I noticed in the draft I saw.

Q.—That trifling amount you speak of as a dollar was not to amount to more than \$25,000 a year? A.—I corrected myself about the word trifling. I would have to figure it out before I could say it was trifling.

Q.—Then did you go over Mr. Ostrom's commission account? A.—That is one of the things. I have a paper here prepared by my clerk and it has been handed to me—it is material given to me so that I can verify Mr. Ostrom's whole account including commissions, salaries and sundries. I have not gone into it yet. It has to be done before the audit is completed. That is the work you see that has been done. It is unintelligible to myself.

Q.—You have discussed it with your clerk? A.—Yes.

Q.—Do you know what items he has objected to? A.—He has not objected to any item. His idea is that there is an uncertainty as to whether commissions may or may not have been credited twice. I have no reason to think that any commissions have been credited twice, but I have to verify that before I could give a certificate.

Q.—Can you tell me what commission Mr. Ostrom was paid on stock issued to Mr. Wilson as paid up stock, some 12 shares? A.—There was a calculation made as to what the commission would have been had that amount of money been paid on stock on which 10 per cent. was paid.

Q.—That is to say Mr. Ostrom thought he should not be prejudiced because that stock was entirely paid up? A.—Precisely.

Q.—He should be paid on 10 times the number of shares because the money was paid in full in this case? A.—Whatever that amount of money would be if paid in a regular way, he felt he should get a commission on that amount of money. At least I

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presume so because I found a minute in the directors' minute book, authorizing that.

Q.—Mr. Wilson was to have issued to him 12 shares fully paid up for his services? A.—Yes.

Q.—And that is spread out fairly on the minutes, is it not? A.—Yes.

Q.—Not hidden at all? A.—No.

Q.—Perfectly disclosed. Then that would be \$1,200 paid in and Mr. Ostrom wanted to treat that as \$1,200 paid in to the company on stock? A.—No. More than that; that would be the stock and then there was the premium, \$25 on each share, that would be \$1,500.

Q.—He wanted to treat that \$1,500 as being paid in respect of 10 per cent. on stock and 25 per cent. premium and then compute the number of shares that it would be on that basis and then pay his commission in that way? A.—That is it.

Q.—Do you know what it amounted to? A.—No, but the entry is in the journal, and the directors passed a minute authorizing it.

Q.—That you have not objected to? A.—No, it is the directors' business; none of my business if they choose to pay that.

Q.—Do you regard it as the directors' business to say what should be paid to a director, is not that a matter for shareholders? A.—Yes, but I am accustomed to pass amounts paid to officers of the company by the directors, such as managers and agents and so forth.

Q.—For the conduct of the company's business? A.—Yes.

Q.—And in that way you would pass commissions on stock sold? A.—Yes, I look for the directors' authority for all payments in fact or they may give the Manager a blanket authority to pay sundry small sums and then the larger sums they may pass upon and so forth.

Q.—You have nothing in your mind with regard to Mr. Ostrom's commission account that you cannot pass as an auditor? A.—I expect to find it perfectly satisfactory, but I have no knowledge whether it is or not until I verify the statements.

Q.—Did you object to the item of \$7,000 that he was paying to himself as commission on these 1,400 shares of stock for the copyrights? A.—I had no chance to object to it because he wrote the company a letter making the company a present of it before I came on.

Q.—That is a magnanimous way of putting it. He surrendered his claim to it? A.—I am going by the letter.

JUDGE MAC TAVISH: Did you regard it as Mr. Ostrom's property that he could make a present of to the company? A.—No, I have no opinion about that at all.

MR. TILLEY: He was putting through a transaction with the company whereby he was to get \$50,000 for his copyright? A.—Yes.

Q.—And he takes in addition \$7,000 as a commission for selling that stock to himself? A.—That is the way it appeared on the books and then the entry was altered before I had a chance to say anything about it.

Q.—I was wondering whether that alteration was as a result of your objection? A.—No.

Q.—I see here that the commission to Mr. Ostrom on Mr. Wilson's stock is confirmed by Minute of the Executive Committee on the 2nd June. You have been treating the minutes of the Executive Committee as being binding on the directors of the company, have you? A.—In some instances.

Q.—Did you know the company had endeavoured in its charter to obtain legislation enabling it to delegate the powers of the directors and so on to an Executive Committee and that that was struck out of the Bill? A.—I did not know that.

Q.—But you have been treating the Executive as empowered to transact the detail work of the business? A.—The smaller details, yes. I don't know now to what extent that power exists.

Q.—And you would include in that commissions to the Manager in the way you have said? A.—Not necessarily so.

Q.—Under the circumstance that he is getting commission on stock? A.—The reason I didn't go into it very fully was that the agreements at that time were passed upon by all those interested in the company at the earlier shareholders' meeting I was speaking about, so that the larger covered the smaller.

Q.—Then you credited Mr. Ostrom in respect of Mr. Wilson's stock with \$214.50 and, of course, that would be acting on the basis of this minute that the Executive Committee passed? A.—This was an entry put through by the Monarch Life staff and the actual entry was put in the form I advised them.

Q.—You were consulted about that? A.—Yes.

Q.—The result of that would be that the company had to pay Mr. Ostrom \$214.50, because it settled with Mr. Wilson for his services in capital



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stock instead of paying him in cash? A.—I don't know the figures. Whatever the figures are there.

Q.—\$214.50? A.—That was one of the entries I was prepared to pass on when my certificate was made up, yes.

Q.—But that would be the result, that Mr. Ostrom would get \$214, because Mr. Wilson was willing to take stock for his bill instead of demanding cash? A.—Yes.

Q.—Don't you think a little transaction like that, while it is not very large is just the sort that you might want something more than the Executive Committee, composed of Mr. Ostrom and some of his friends, to pass on? A.—When transactions were not of very great importance I would be satisfied with an Executive Board, duly appointed by the whole Board of Directors of any company, yes.

Q.—Then while the \$7,000 commission was rescinded on the basis of Mr. Ostrom's letter, abandoning it, at page 93 of the journal, it appears that he got on that 1,400 shares a commission of \$700, 50 cents a share. Did you notice that? A.—That would be one of those commission items not yet verified.

Q.—That could not be allowed to stand now, could it? A.—I could not say off hand. If the directors say absolutely that Mr. Ostrom is entitled to receive 50 cents a share on every share of stock sold by the company I would have to pass it. I would have to consider it.

Q.—That is to say if they pay 50 cents a share on stock sold, you would treat that as applicable to a transaction where they are dealing with the man himself under a special contract issuing to him capital stock for certain assets? A.—No, I think I would want it referred to in that resolution.

Q.—And that has not been done yet? A.—I would probably ask that to be added in a subsequent resolution, covering a point like that.

Q.—What is the date of that? A.—January 31st this year.

Q.—Was that transaction on the books at that time? A.—I can tell by the later entries, perhaps. I mean I might see some entry later on that I knew was there then. Lazier's account was made up at the end of each month and he comes afterwards so I presume this was there at that time.

Q.—Why have you any doubt as to whether that entry was there in its

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regular order? A.—Because all those entries are dated the 31st January and they may be put in to clear up January business, maybe in the middle of February possibly, or March.

Q.—Do you think it is a proper way of keeping the books to leave them in such shape that they can put in entries after the end of January, even in the months of February or March? A.—Certainly not in theory. In actual practice you are sometimes called in to instruct the book-keeper how to make clear on the books transactions that he does not know how to put on the books and how he should express the minutes.

Q.—You say that would be a necessity arising somewhat out of the employment of a book-keeper not too skilled in his work and who might have to hold things until the auditor would come? A.—Well, all book-keepers in this country are accustomed to look to the auditor as a skilled accountant to give them hints as to the best way. They might do it themselves quite as well, but they prefer to leave it to the auditor and ask him the best form in which to put the entry.

Q.—Here are six or seven pages ruled out with lead pencil. A.—I did that. I ruled it out to show that it should not be written upon. My partial audit had extended that far and I crossed it out so that there would be no further entries made there while I was working on the books.

Q.—These entries in the end were put in probably to close up the March business? A.—Yes.

Q.—And you did not need these pages? A.—No. That would probably be done a month later when there was no further March business to go.

Q.—At the end of April there are pages left again. A.—The same thing would apply.

Q.—And you cancelled those. Were those pages left with your instructions? A.—They were left with my permission, some of them at least, because I find in all my audits that when I call on the 15th of the month, the book-keeper has omitted to enter some transactions which actually took place and which should appear on the date on which the transaction took place. I would ask him to put those entries there and would show him how to make those entries and then close the book finally.

Q.—Should not the books contain

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a correct history of the transactions?  
A.—Certainly.

Q.—Not only in respect of the transaction itself but in the date in which it was made? A.—Certainly.

Q.—Can you get that in any other way than by putting them in in the order in which they were made? A.—Sometimes an entry can be made in June about January business and set it forth in detail. Sometimes it is not necessary to go to so much trouble.

Q.—In an insurance company apparently the journal is the book of original entry. A.—At the time those entries were made it was merely a company not transacting an insurance business. It was like any other business enterprise, just recording the transactions that were taking place. It was proposed to put in an entirely new set of books, journals and otherwise, as soon as they started doing the business of an insurance company.

Q.—One would hardly think that would be satisfactory. Here are two entries for August on page 167 and three or four for July on 161 and those are the only entries between pages 149 and 167 of the book. A.—Nothing more than a very lavish use of paper. There is no object in it.

Q.—Except that in a book of original entry one would think that was not a very exact way of leaving it. A.—While it is a book of original entry, it is not so in the same sense as a cash book is where the pages are numbered and ruled off to prevent other entries being put in. The journal is often used to put a cross-entry in to explain some transaction.

MR. LANGMUIR: Has it come to your knowledge that the interest on certain notes given for stock has not been paid? A.—Yes.

Q.—Did you bring that to the attention of the directors in any way? A.—In bulk that is, I have said that those matters want to be adjusted and if certain parties are to be excused there should be an authority for it.

MR. KENT: It was stated yesterday, Mr. Sutcliffe, that these blank pages were so left blank in accordance with your instructions, is that a fact or not? A.—Rather in accordance with my permission. That is the book-keeper would telephone me that he wanted to go on with the July business and make his entries and I had not been there to audit and he had not got his trial balance out

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for the May business. I would say, leave enough space at the end of May to make any entries that I may have to ask you to make after the audit, and it would be left in that way on my authority.

Q.—In July we have four entries. A.—Of this year?

Q.—The year is not put. A.—Wherever I notice its absence and I usually do, I ask that it be put in.

JUDGE MACTAVISH: That would be July of this year, because if it were last year you would have noticed it. A.—Yes, I have not seen it. In the work I have gone over the year is in.

MR. KENT: There are four entries for the month of July; then follow five blank pages. Have you thought it was necessary that five blank pages should be left although the month had only required, so far, four entries? The book-keeper stated yesterday, they were left in accordance with your instructions and I had some doubt about it. A.—He was right in this sense, that back here, when I was called monthly, I would tell the book-keeper that I would, no doubt, find some things to correct in his work and I would expect him to make additional entries to correct his work so as to complete that month and he might leave some space. Getting into the way of that he would do it, probably, habitually, and then get leaving more and more space. I don't see any earthly necessity for leaving all that space.

Q.—You see no other reason than simply leaving too much rather than too little space. A.—I am satisfied there is no other reason.

MR. TILLEY: I think that is all I have to ask Mr. Sutcliffe, but I would like to keep this document during the noon adjournment to see whether I want to put it in. The company has another copy, but the Commission has not, and I would like to look it over during the noon adjournment.

(Adjourned to 2.15 p.m.)

#### AFTERNOON SESSION.

Resumed at 2 p. m., September 5th, 1906.

STEPHEN VAN SICKLE, sworn, examined by

MR. TILLEY: How long have you been the book-keeper of the Monarch Life Co.? A.—I came to the Monarch Life I believe about 18th February last, 1906.

Q.—Were you a book-keeper before that? A.—Yes sir.

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Q.—So that you were qualified to take charge of the books at once? A.—Well, in as far as any book-keeper I believe going into an entirely different company.

Q.—I suppose you would have to take some time to get accustomed to the particular set of books you had to keep? A.—Yes.

Q.—Any book-keeper would? A.—Yes.

Q.—Had you been keeping books in an insurance company before? A.—I was in an insurance company about two years.

Q.—So that you had had some experience with books of that nature? A.—Yes sir.

Q.—To what extent were the books placed under your control and jurisdiction when you became book-keeper? A.—I understood they were to be under my control subject of course to Mr. Sutcliffe as—

Q.—As auditor? A.—Well, yes.

Q.—Or supervisor, if you prefer that word? A.—Yes.

Q.—Was that arrangement carried out absolutely or did Mr. Ostrom in any way interfere with your keeping of the books? A.—No sir, I think not, not that I can remember of.

Q.—You were given a free hand in the keeping of the books? A.—Yes.

Q.—Did you prepare a statement for the end of May when the company was seeking a license? A.—I assisted on that.

Q.—Did the company ever take out any license for Ontario, do you know? A.—Not to my knowledge sir, I believe not.

Q.—Did you ever have any discussion with Mr. Ostrom as to the necessity for registration in Ontario? A.—I believe there was something said to that effect, but that was quite lately, possibly within the last month.

Q.—What was the nature of the conversation you had then? A.—I believe it came, it might be possibly more than a month ago, in regard to the licenses for all of the Provinces I believe it came in in that way.

Q.—You understood there was necessity to register in Ontario? A.—Yes sir, I understood that myself.

Q.—And did you bring it to Mr. Ostrom's attention or did he hear of it from another source? A.—I could not say as to that because as I said before I believe it first came up between us when we were talking about licenses for all of the Provinces, I believe that was the time.

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Q.—What was decided about that, was it decided to take any action or decided to ignore the provisions of the Ontario Act requiring you to register? A.—I believe the Ontario Act, we certainly intended to comply with the Ontario Act.

Q.—But no steps were taken in that direction? A.—Not just at that time.

Q.—And in the meantime you had been carrying on the business and issuing policies? A.—Yes sir.

MR. TILLEY: The Ontario Insurance Act, Chapter 603 of the Revised Statutes, and sections 54, 59 and 85 govern the registration in Ontario.

Q.—You made up a statement in the nature of a trial balance at the end of May? A.—Yes sir.

Q.—Was that done with the assistance of the auditor? A.—No sir, I believe I did that myself, the trial balance.

Q.—Have you an extra copy of this? A.—I believe I have.

Copy of trial balance filed as Exhibit 422.

Q.—That (Exhibit 422) gives in detail the assets and liabilities, all the organization expenses, analysis of the commission account and all the other accounts of the books? A.—Yes.

Q.—It was prepared under your direction and possibly for the most part prepared by you actually? A.—I assisted on it. The trial balance was taken from my trial balance. Of course the auditor I believe looked over the trial balance.

Q.—Can you tell men from looking rectness of those statements, can you say they are correct? A.—To the best of my knowledge they are.

Q.—Does that include the \$700 on Mr. Ostrom's 1,400 shares by way of commission of fifty cents a share? A.—I could not tell you.

Q.—Can you tell me from looking at any book that is here? A.—I might possibly be able to tell you from the statement in the list of commissions. (Witness looks at statement.)

Q.—Has that entry on page 93 of the journal whereby \$700 was credited to him ever been reversed? A.—Not that I know of.

Q.—Has he been paid the thousand dollars cash that was to go with the 1,400 shares in order to make up \$50,000? A.—No sir.

Q.—He has not been paid that? A.—No sir, not the cash.

Q.—I wish you would tell the Commission all the part you have taken



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in connection with this last transaction regarding that stock issue for copyrights? A.—The 1,400 shares?

Q.—Yes? A.—Shortly before the directors were leaving for Winnipeg—

Q.—That is in August? A.—Yes, Mr. Ostrom asked me to make out his 1,400 shares—possibly that may explain something that was referred to this morning—previous to my time they had been using two certificate books.

Q.—Those will be the two books we have here? A.—Yes. I saw there would not be enough—Mr. Ostrom wished it issued in ten share lots.—I saw there would not be enough blank certificates in order to do that, and I suggested to Mr. Ostrom we make out in ten shares, and I believe it was in twenties, and I think the rest in fifties; I filled the remainder in one book and had to take out the rest out of the next book.

Q.—Before you took those certificates out of the old book a second certificate book had been opened up and some taken out of it? A.—Yes.

Q.—Did you ever learn why that second book was in use before the first one was exhausted? A.—I have no idea.

Q.—You never asked any questions about it? A.—No, I may have remarked something about it; it is rather unusual I know.

Q.—Before you commenced to issue that 1,400 share lot on June 5th, which commenced with certificate number 29, there are some blank stubs with the word "cancelled" written on them, is that written by you? A.—That is my writing.

Q.—When did you write them and why were those cancelled? A.—I really could not tell you that.

Q.—Were they torn out before you commenced to write out the 1,400 shares? A.—Were those that are marked "Cancelled" torn out?

Q.—Yes, or did you tear them out or Mr. Ostrom tear them out at about that time? A.—I don't remember tearing them out, and I may have, but I never saw Mr. Ostrom tear out certificates out of the book; they are usually left in my—

Q.—If you tore those certificates out you would know it? A.—Yes.

Q.—Can you say you did not tear them out? A.—No.

Q.—You don't know whether you did? A.—I could not say I did; for example Mr. Gordon in signing sometimes would sign in the Managing Director's place instead of the President's on the stock certificate; I have

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known two cases of that where Mr. Gordon has done that.

Q.—Where the certificates were being signed in blank? A.—No sir, after they were filled out.

Q.—In that case the stub would be filled up? A.—Yes.

Q.—That would not apply to these certificates because the stubs would be all blank? A.—Certainly.

Q.—I want to know if you can tell me whether Mr. Ostrom has the certificates that were attached to those stubs? A.—I could not tell you.

Q.—You do not know anything about it? A.—No.

Q.—You do not know where they are? A.—No.

Q.—None of those ten share certificates have yet been produced, do you know where they are? A.—No sir, I do not.

Q.—We have some of the twenties and fifties but none of the tens? A.—I could not tell you, I have not seen the certificates from the time I filled them out.

Q.—Did you fill out all the 1,400 on the face of the certificates, write them out at the same time? A.—Yes sir.

Q.—Why did you go into the middle of the second book to get the balance to complete the number, why did you take them commencing with 175 when there were some here already? A.—I will tell you why that, if you notice that had been signed in blank by Mr. D. A. Gordon.

Q.—All of them? A.—I believe so.

Q.—Is that his signature or a stamp? A.—That is Mr. Gordon's signature.

Q.—Have you a stamp of his? A.—They have a stamp, I have not it.

Q.—Who has it? A.—I believe Mr. Ostrom has a stamp.

Q.—Could you try to get us that stamp? A.—Yes sir.

Q.—Has the company a seal? A.—Yes.

Q.—I would like you to bring that too the next time you come? A.—All right.

Q.—You did not want to use the certificates that had Mr. Gordon's name, or were you instructed not to do so? A.—No sir, I did that upon my own responsibility simply for that reason; there was another reason I thought of at the time during Mr. Gordon's absence sometimes when we received a stock receipt certificate—certificates are issued, and I wanted to have some in case while they were away and no one to sign them.

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Q.—While who were away? A.—While the directors were away.

Q.—In Winnipeg? A.—Yes.

Q.—You would not issue stock certificates when they are away in Winnipeg, Mr. Ostrom away? A.—No, but that was my idea at the time; that was done more upon an impulse than anything else simply from the fact these were signed and I was issuing 1,400 shares and I thought probably they should be all signed at the same time, I did not know by the same person or not, although I had good reason to think otherwise—

Q.—Must it not have been the result of some discussion between you and Mr. Ostrom that it would have been better to take certificates without the President's name on? A.—No.

Q.—You did it upon your own responsibility, and whatever construction is to be put upon it Mr. Ostrom was no party at all? A.—No party.

Q.—You commenced with a certificate that had not been signed at all? A.—Yes.

Q.—And you wrote them out how many days before they went to Winnipeg? A.—It was not many days.

Q.—One day or two days? A.—Possibly I can remember that, I should say two or three days; I may be mistaken.

Q.—That would be probably about first August? A.—Probably about that time.

Q.—Mr. Gordon was at the office at the time was he? A.—He must have been in the office at the time, because as soon as I finished I took them in for Mr. Gordon to sign.

Q.—Did you take certificates in for the whole 1,400 shares at one time? A.—Yes.

Q.—Mr. Gordon and Mr. Ostrom were in the room together, were they? A.—I believe that they were in the room together although I would not be sure as to that.

Q.—Had you had any discussion with Mr. Ostrom at all about getting those signed before? A.—No.

Q.—You knew that on the 31st May Mr. Ostrom had not taken those 1,400 shares as being his property in the statement he made to the Government? A.—Yes.

Q.—And that statement was not sworn to until June? A.—Yes sir.

Q.—So that you were quite alive to the fact that you were issuing stock that had not then been treated as issued, you were increasing his stock holding from the 600 to the 2,000 shares? A.—Yes sir, at that time.

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Q.—And nothing had been done since 31st May to warrant that, you knew that? A.—I knew that but I considered that to be more—that had been brought up before by Mr., at least I brought that before Mr. Sutcliffe in regard to that 1,400 shares, I of course knew nothing as to the 1,400 shares, I mean in so far as whether they should be issued or not.

Q.—I don't want you to take me as intimating you would be responsible for that; you are the book-keeper and probably your duty would be to do as you were told by the Managing Director? A.—To a certain extent sir.

Q.—I am asking you if that was present to your mind at the time that on the 31st May Mr. Ostrom was treated as being the owner of 600 shares, nothing had been done since to change the situation and he was now getting 2,000 shares, was that right? A.—No.

Q.—You did not even think of it? A.—No, I never associated the two together.

Q.—Did you stay in the room when Mr. Gordon was signing? A.—No.

Q.—You went right out? A.—Yes.

Q.—You don't know whether Mr. Gordon signed or not? A.—No.

Q.—You cannot say whether he signed a few and then asked some questions and stopped signing? A.—I remember Mr. Gordon coming out to me and asking me whether those shares were on the 1,400 shares. I told him I understood they were. That was all that was said.

Q.—He did not discuss the matter with you at all? A.—Not at all.

Q.—So that apparently at the time he should be signing them in the ordinary course he came to you to make the enquiry? A.—Yes sir.

Q.—And he got the information? A.—Yes.

Q.—And he went away from you, and what he did you don't know? A.—I don't know.

Q.—When he left did you get the certificates again? A.—No, I never had the certificates again.

Q.—Never had the certificates from that to this? A.—No.

Q.—Never saw them since? A.—Except as held up here in the room.

Q.—Did you see them down in the Monarch office at all? A.—No, I cannot say I saw them in the Monarch office.

Q.—Have you discussed them with Mr. Ostrom outside of the last day

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or two since the Commission has been sitting? A.—No sir.

Q.—Did you know that part of them were signed yesterday morning? A.—No sir.

Q.—When did you learn that? A.—What I learned I learned here.

Q.—When the evidence was being given? A.—Yes.

Q.—Because you were asked yesterday and you professed not to know at that time and you say that was correct? A.—Yes.

Q.—You did not take them to Mr. Graham to be signed? A.—I did not.

Q.—And you have never had any further talk with Mr. Gordon? A.—No sir.

Q.—When did you first see exhibits 411 and 415 executed as they are now? A.—I don't remember seeing that one at all.

Q.—You don't remember seeing the agreement of the 9th March whereby the stock was to be issued to Mr. Ostrom? A.—No sir.

Q.—That is Exhibit 415; and 411? A.—I don't know when I saw 411.

Q.—Tell us the circumstances under which you saw it? A.—I don't know that I ever saw that one.

Q.—Is that signed by Mr. Gordon do you think, or is that the stamp, you would know the stamp pretty well? A.—I could not tell you although it looks to me as though it might be the stamp.

Q.—You know the stamp? A.—I don't know the stamp very well, I never had any occasion to use it.

Q.—Is that the seal? A.—Yes sir.

Q.—You will bring the seal too? A.—Yes sir.

Q.—You cannot tell when that seal was put on? A.—No.

Q.—You know nothing about it at all? A.—No.

Q.—Were these documents ever discussed with you by Mr. Ostrom at all? A.—No sir, I think there was something said of the salary contract at the time when the salary contract was to come into force.

Q.—When was that said? A.—I could not tell you, I presume that would be somewhere along the latter part of March.

Q.—Did you know there was any document drawn up then? A.—No.

Q.—Something has been said about a draft of this agreement, did you ever see it? A.—Not that I can remember.

Q.—Have you heard that there were any changes made in this document

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after the draft was prepared and before it was executed? A.—No sir.

Q.—Have you ever heard any discussion about that at all? A.—No sir.

Q.—Never had any reason to suspect there were alterations made in it? A.—No sir.

Q.—You cannot tell us where the draft agreement is? A.—I have no idea.

Q.—Mr. Ostrom says Mr. Wilson was asked for it, and you cannot say whether it was received or not? A.—No sir, I could not.

Q.—Do you know whether Mr. Ostrom had prepared the resolutions and the by-laws for Winnipeg before he went up? A.—No sir.

Q.—Did he take a solicitor with him, do you know? A.—To Winnipeg?

Q.—Yes? A.—I understood there was a legal gentleman going.

Q.—Who was the legal gentleman that was going? A.—Mr. Paterson.

Q.—Of Kerr, Davidson, Paterson & Grant? A.—Yes sir.

Q.—You understood then Mr. Ostrom was taking Mr. Paterson with him to Winnipeg? A.—Pardon me, I don't know that I knew that till either they were just gone or just going.

Q.—You knew he was going or had gone? A.—Yes sir, I understood that.

Q.—And had gone accompanying Mr. Ostrom at Mr. Ostrom's request? A.—Yes, I believe so.

Q.—Acting as it were for Mr. Ostrom? A.—I could not say as to that, whether acting for Mr. Ostrom or not.

Q.—Tell us what you did know about it? A.—Either shortly before or shortly after I knew Mr. Paterson had gone.

Q.—Who did you learn that from? A.—I believe it was some person in the office.

Q.—And you knew I suppose that he went with Mr. Ostrom? A.—I understood he went with Mr. Ostrom.

Q.—And you still understand he went with Mr. Ostrom? A.—I believe so yet.

Q.—And Mr. Paterson would be in Winnipeg at the time these meetings would be being held? A.—Yes sir.

Q.—And there would be no necessity as far as you know for any interview with any local solicitor in Winnipeg? A.—Not that I would know of.

Q.—Do you know whether Mr. Pat-



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erson prepared these resolutions? A.—I do not.

Q.—Something was said about exchanging cheques by direction of the auditor in connection with a transaction as to the issue of paid-up stock, do you know whether any cheques were exchanged with regard to Mr. Ostrom's 1,400 shares? A.—Not that I know of in regard to the 1,400, I am quite sure they were not.

Q.—Was the cheque for Mr. Ostrom's \$1,000 paid to Mr. Ostrom in cash? A.—No sir.

Q.—It was credited to his commission account? A.—To his commission, yes sir, it was credited to him.

Q.—And he has drawn out in actual cash about \$10,000? A.—I don't know exactly about how much actual cash he has drawn out.

Q.—He has got from the company at any rate about \$30,000? A.—I should say about \$23,000.

Q.—Outside of salary? A.—No sir, that includes everything.

Q.—That is taking off the \$7,000? A.—Yes.

Q.—Then if he got \$50,000 for the copyright he would be getting about \$73,000? A.—Yes sir.

Q.—For the two years; were the policies that were copyrighted prepared since the company has been in process of organization? A.—The policies themselves?

Q.—Yes; when did he prepare them, since he has been paid for organizing the Monarch Life? A.—I don't know.

MR. KENT: I do not understand how it is you were requested to prepare ten certificates to be signed by Mr. Gordon? A.—Ten?

Q.—Yes; the certificates you made here are to the number of ten, you say they were taken in to be signed by Mr. Gordon? A.—The whole amount of the 1,400 shares.

Q.—There are ten here of 50 shares each? A.—That would be 500.

Q.—There were ten certificates? A.—Yes.

Q.—Here are the ten certificates in blank already signed by Mr. Gordon, I do not understand the explanation you have given as to why you did not take the certificates already signed? A.—That there in so far as I can see is a simple coincidence; I acted on my own responsibility in doing that and I left them because they had been signed by Mr. Gordon and I wrote out the full 1,400 shares.

JUDGE MacTAVISH: To be signed by Mr. Gordon? A.—Yes.

MR. KENT: Although you had the required number of certificates al-

Monarch Life. (S. VanSickle, Ex'd.)

ready signed by Mr. Gordon? A.—I did not know it, I had no idea as to how many there were signed by Mr. Gordon.

Q.—Then you take the book and you turn over ten leaves and you begin here and prepare ten certificates and take them in to be signed by Mr. Gordon, and you say you were not aware there were ten certificates already signed that you must have turned over. A.—I must have turned over, but I did not know how many. I had no idea of the number.

Q.—You are satisfied to go on record in that way? A.—I am, sir.

MR. LANGMUIR: Can he give some explanation as to when they commenced to write policies?

MR. TILLEY: The 19th July you got the license? A.—Yes.

Q.—How soon after that did you write your first policies? A.—I cannot remember the exact date.

Q.—Probably if you bring your policy register here? A.—Yes, and a duplicate of the first policy.

Q.—Bring that here to-morrow; were there any policies issued before the 19th July? A.—No.

Q.—Is Miss Keating a clerk in the office? A.—Stenographer.

Q.—Is she still a stenographer in the office? A.—Yes.

Q.—Probably you would ask her to be here in the morning too? A.—Yes.

MR. LANGMUIR: Will we have the forms of copyrighted policies?

MR. TILLEY I think we have samples.

MR. SHEPLEY: Before recalling Mr. Ostrom, who is in reserve still as to some matters, we want to examine Mr. Gordon. Mr. Gordon has been communicated with and we have a wire from him saying he will be here to-night. The notice to him I think was reasonable, but he had other business, and we cannot quarrel with him for asking his convenience to be consulted to that extent. I ask Your Honours, therefore, to adjourn till to-morrow morning.

Then I wanted to make further request while Counsel were here, that is when Your Honors adjourn on Friday you shall adjourn until Tuesday, which will be more convenient for Counsel, and will probably conduce to greater expedition when your Honors meet again.

JUDGE MacTAVISH: Very well, Mr. Shepley, that will be satisfactory.

Adjourned at 3 p. m., Wednesday, September 5th to 10.30 A.M. Thursday, September 6th, 1906.

## SIXTY-SECOND DAY.

## MORNING SESSION.

TORONTO, Sept. 6th, 1906.

DAVID A. GORDON, Sworn. Examined by MR. TILLEY:—

Q.—You are the President of the Monarch Life Assurance Company? A.—Yes.

Q.—There is no dispute as to the Presidency, whatever there may be about the Vice-Presidency? A.—I hope not.

Q.—And you succeeded Mr. Cochran as President I think? A.—Yes.

Q.—He was President for a short time? A.—Yes.

Q.—You know of the transactions which Mr. Ostrom proposed with regard to the issue of 1,400 shares for some copyrights that he had on forms of policies? A.—Yes.

Q.—It was entered on the books on two occasions and then struck off the books. Did you know that? A.—Yes.

Q.—And was brought up at the shareholders' meeting on March 21st, 1906? A.—Yes.

Q.—Up to that time nothing had been done to complete the transaction? A.—No.

Q.—And the company was not bound by any arrangement, was it? A.—No.

Q.—On the 21st March it was referred to the Directors newly appointed, was it not? A.—Yes.

Q.—And then the Directors met afterwards, and it was referred to an Executive Committee, to meet when Mr. Rogers of Winnipeg would be present? A.—Yes.

Q.—Now, there is some little difference of opinion I understand as to what transpired with Mr. Rogers before the Executive Committee met, is there? A.—Yes, well a little. Mr. Rogers was in the city that day, and came to the office just about the time the meeting was to convene, and asked me to come out and talk the matter over with him for a few moments, or I spoke to him with reference to it, because he had advised me that he had to go to Chicago on some other company, and would be unable to stay at the meeting. Mr. Rogers then suggested that I make as good an adjustment with the Provisional Directors and with Mr. Ostrom as possible, and when they got up to Winnipeg he would try and have the matter fixed in a way that would be satisfactory.

Q.—Then it was not quite understood at any rate that the matter

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was to be closed finally here? A.—No.

Q.—You were to enter into some negotiation and endeavor to get the parties together on a common idea? A.—Yes.

Q.—And then it would be carried through at Quebec? A.—I might explain that the Provisional Directors having met during the past year and a half probably 50 to 60 times never received anything by way of compensation whatever.

Q.—The idea was to make them some allowance for the meetings they had attended? A.—Yes.

Q.—That matter however has never got into any snarl yet, has it? A.—Not definitely settled.

Q.—And there is no present difficulty about that matter; simply not completed? A.—That is right.

Q.—But there has been a difficulty develop with regard to the copyrights and the 1,400 shares? A.—I understood the advice was that any action taken by the Executive would have to be confirmed by the full Board of Directors, and for that reason I did not feel that the matter was closed.

Q.—Then the Directors met, and in the absence of Mr. Rogers came to what you regarded as a tentative arrangement, subject to approval later on? A.—Yes.

Q.—And that arrangement was that 1,400 shares would be issued to him, to carry out the original proposal? A.—Simply re-affirming the former resolutions or agreements that had been made so far as the Executive was concerned.

Q.—That was on the 12th April I think, 1906? A.—I think so.

Q.—Was it the intention that any stock certificates should be issued to Mr. Ostrom pursuant to that resolution? A.—Not to my knowledge.

Q.—You gave no instructions for it? A.—I did not.

Q.—Was it the intention that any formal agreement should be executed on behalf of the company pursuant to that resolution? A.—No.

Q.—Then here is an agreement, Exhibit No. 415, with Mr. Ostrom, relating to the issue of 1,400 shares. It is dated 9th March, 1906, and appears to be signed by you. Is that your signature? A.—Yes.

Q.—When was that executed? A.—I presume at that time.

Q.—Do you know why it was executed by Mr. Graham? A.—No particular reason, no.

Q.—Will you tell us the circumstances under which that document

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was signed? That appears to be a formal contract with the company for the issue of the 1,400 shares for the copyrights? A.—Yes. I cannot say anything further than this; I had not anything to do with the initial bargain at all; it was one that was relegated to me, and it had been dangling before the Directors and stockholders for a considerable length of time, and when the proposition came—at least when the company was getting formed, and in readiness to begin business—there was an effort made to get these things put in proper shape, but as I was advised by our solicitor, they would have to be confirmed by the Board of Directors later on.

Q.—Then this document, so far as your signature was concerned, was executed prior to the shareholders' meeting of the 21st March? A.—I think so.

Q.—And in preparation for confirmation at that meeting? A.—Yes.

Q.—If the shareholders chose to do so? A.—Yes.

Q.—And failing ratification at the shareholders' meeting, would not become binding on the company; that was your view? A.—Yes.

Q.—Then when it came before the shareholders' meeting the action was taken that you have told us about? A.—Yes.

Q.—So that you regarded the agreement as standing in abeyance until the action of the Executive Committee would be confirmed at Winnipeg? A.—Yes.

Q.—And you would not in that view be willing to issue stock certificates for the 1,400 shares, would you? A.—No.

Q.—In stating that this document, Exhibit 415, was signed by you, do you identify that agreement as it stands now, as the one you signed, each page of it, or can you say whether the one you signed was in any way different from that? A.—I could not say that.

Q.—Were there any interlineations in the document you signed? A.—I do not remember that.

Q.—And you could not tell from the wording of it? A.—No, I could not.

Q.—Then Mr. Ostrom has produced some stock certificates which he says were signed by you as part of the 1,400 shares he was to receive under the agreement. Do you remember an occasion when you signed some certificates? A.—Yes.

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Q.—Would you say what happened at that time? A.—Prior to leaving for Winnipeg Mr. Ostrom had phoned me to ask if I knew anyone who would take 50 shares of his stock. I did, and I told him so. And when I reached Toronto he wished to transfer 50 or 100 shares. I signed two certificates of 50 shares each, and was very particular to ask him, not once but twice, whether these were part of the stock he had formerly bought and paid for, and he assured me they were.

Q.—You were distinguishing the 600 shares of his own from the 1,400? A.—Yes.

Q.—And you were assuring yourself this was his own stock outside of the 1,400 shares? A.—I took particular occasion to ask that and was assured that this was part of the 600 shares. I signed two 50 share certificates, and underneath those were a number of others. I signed four certificates 20 shares each and one of 10. Then I looked through the balance of the bunch, and saw they were all made out to Mr. Ostrom, and I went to the bookkeeper and asked him what certificates those were, and then he told me they were the 1,400 shares, and I then called Mr. Ostrom out of the room and told him I could not sign those, and they would have to be cancelled. I signed no more there or any other place since. At Winnipeg I told him I intended wiring the bookkeeper to have those certificates destroyed, because I reported to the Directors there the mistake I had made, if it can be called a mistake. I did not wire, however, but in conversation on the way back he told me he had those certificates with him, and I asked for them, and cancelled them on the train; so that they were disposed of in accordance with a promise I had made to the Board in Winnipeg.

Q.—I find in the stenographer's report of what took place at Winnipeg that you explained to the Directors present that you had signed for some 90 shares? A.—Yes.

Q.—That would be the four 20's and one 10 you spoke of? A.—Yes.

Q.—And that you had been informed that they had been cancelled? A.—Yes.

Q.—And it was after that meeting that you did cancel them? A.—Yes.

Q.—These would be the certificates I suppose, would they? There is one 10? A.—Yes, those are the ones.

Q.—And four 20's? A.—Yes.



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Q.—There are two 50's marked cancelled. Are they signed by you? A.—Yes, those are the two that were signed here before leaving.

Q.—Both 50's seem to be cancelled? A.—Yes.

Q.—And four 20's and a 10? A.—Yes.

Q.—There seems to be one other certificate here for the 50's signed by you? You must have signed one more 50 than you thought? A.—I do not know whether it is the same date or not.

Q.—It is dated the same date. I suppose this would be the 50 he was selling? A.—The remark made was this, that Mr. Denham was to take 50 and he might probably sell 50 or 100 more, so that there would be three of those, but those 50's understand had nothing to do with the 1,400 whatever.

Q.—There are three 50's here, two of them marked cancelled, and one is not, but the 50's were not being signed as part of the 1,400 at all? A.—No.

Q.—But the 20's and 10's, you learned from the bookkeeper, were part of the 1,400? A.—Yes.

Q.—Then after the meeting at Winnipeg did you have any conversation with Mr. Ostrom about that question of certificates? A.—Yes.

Q.—What was the nature of the conversation? Mr. Ostrom says it was not discussed between you because you were so hot coming away from the Winnipeg meeting? A.—We discussed the question of asking me to sign those certificates on the way back, and I told him that they had to be cancelled. I had told him that previously, and then he told me he had them with him. That was on the train between St. Paul and Chicago, and I asked for them and they were produced and cancelled.

Q.—Did he say to you anything about leaving any certificates with the hotel clerk in Winnipeg? A.—No.

Q.—You know nothing about that? A.—No.

Q.—Was the meeting at Winnipeg for the 9th, the minutes of which are now in the minute book ready to be signed by the President—was that meeting called on your instructions? A.—Yes.

Q.—Did you understand that notice of that meeting was being sent to all Directors? A.—A number of the stockholders had asked that that meeting be called and I consented to it.

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Q.—So that that was called with your approval? A.—Yes.

Q.—And there was a by-law passed purporting to change the head office back to Toronto? A.—Yes.

Q.—Was there any discussion as to that by-law after the meetings at Winnipeg, either in the subsequent meetings at Winnipeg, or afterwards, as to cancelling the by-law? A.—Not until recently.

Q.—What was the recent discussion on that? A.—That that by-law would have to be repealed. Mr. Ostrom advised me that he had been in consultation with someone in Toronto.

Q.—Some solicitor in Toronto? A.—Yes, and he was advised that that by-law would have to be repealed, and a meeting would have to be called for that purpose, and also to elect a number of Directors to replace those who had not qualified; in fact, there were two telephone conversations and a telegram from myself to Mr. Ostrom in connection with the matter.

Q.—Is this the telegram that you sent: "I understand the by-law passed on the 9th should be repealed to avoid complications, suggest you see Mr. Wilson immediately and if necessary call meeting to dispose of this question?" A.—That is the telegram.

Q.—Then it was your understanding that a meeting would be called to repeal the by-law? A.—Yes.

Q.—And this telegram, which is dated August 31st, was sent to Mr. Ostrom so that he would get the necessary notice out? A.—Yes.

Q.—Have you a copy of the notice that was sent pursuant to this telegram? A.—I have one here. I presume this is it—yes, this is it. (Notice filed, Exhibit 423.)

Q.—Without reading it all, you see it specifies the object to be, 1st, to consider the action of the Board of Directors at the meeting held at Winnipeg on the 9th August, 1906; 2nd, to take such action upon and in respect of the by-law and resolutions of the company passed at the said meeting as may be deemed necessary, and then the notice goes on about the Directors. Was that in accordance with what you understood the notice to provide—just for a discussion of that matter at Winnipeg, or was it to repeal what had been done at Winnipeg? A.—Just to repeal or confirm, I suppose, as they wished, and also elect Directors in place of those who were not qualified.

Q.—But it was your expectation and understanding that the action

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would be repealed? A.—I was told that would be necessary.

Q.—Was that your wish that it should be repealed? A.—Yes.

Q.—The notice seems to be more in accordance with Mr. Kerr's letter to you of September 1st, where he says that not only you and Mr. Ostrom, but all the other members of the Board here, are anxious that the by-law should stand and be acted upon, and that the head office of the company should remain here. The notice seems to be more in accordance with that idea? A.—Yes.

Q.—Was that statement correct? A.—The evident intention of that notice is to put the onus, I think, of all the action on my shoulders. It is evidently designed for that purpose.

Q.—Then, I suppose, you knew nothing about the 1,400 shares being completely issued until it came out here in evidence? A.—I did not.

Q.—You were never consulted about that, and never asked to sign the 1,400 shares after your talk coming back from Winnipeg? A.—No.

Q.—And the result of the conversation between you and Mr. Ostrom was based on that understanding, I suppose? A.—Yes.

Q.—Did you sign an agreement on the 21st March with Mr. Ostrom as Manager; is that your signature? A.—Yes.

Q.—Do you remember when that document was signed? A.—Let me see what it is. That is my signature all right. Mr. Ostrom was there at the time it was put through, I think.

Q.—This document was signed before the meeting of shareholders as well, was it? A.—It would be difficult to say and be absolutely sure to say whether it was signed before or after that meeting. I presume it was signed on that day. You mean the meeting of the 21st March?

Q.—Yes? A.—I would hate to undertake to say whether it was before or after that meeting.

Q.—You would not like to say whether it was before or after the meeting? A.—No.

Q.—Did you read over the document when you signed it? A.—Yes.

Q.—Can you say whether this document as it stands was the document that you understood you were putting your signature to? A.—I could not without reading it, and then it might be difficult to remember it all.

Q.—Just read this clause: "It is further agreed by and between the parties," etc? A.—I am not sure, but I think Mr. Wilson gave me those

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different documents to sign at the time. I think they were all there at the time together, at the time they were discussed, but I am not sure whether it was before or after the meeting. This appears to be one of the documents.

Q.—Can you say whether that is as it was when you signed it? A.—I think so.

Q.—Were the documents amended during the meeting? A.—I do not think they were at that meeting.

Q.—You do not think there were any changes made? A.—No.

Q.—At what meeting were there changes made? A.—Well, that I could not say now. I do not know whether that agreement was produced at the former meeting or not. I imagine that document would be discussed at a meeting after the shareholders' meeting.

Q.—At the Directors' meeting after the shareholders' meeting? A.—Yes.

Q.—And were amendments made there? A.—I do not think it.

Q.—You do not think any alterations were made? A.—Yes, I will correct that. There were. There was a limit at my suggestion put on the salary that it would be possible to earn.

Q.—Not over \$25,000? A.—Yes, I was under the impression it was \$15,000, but I see I am wrong in that. I know there was a limit put to it.

Q.—Do you think it was \$25,000? A.—\$15,000 is what I suggested first but I think probably \$25,000 is right.

Q.—Do you know any reason why Mr. Graham should have signed this document weeks afterwards? A.—No.

Q.—No reason that you know of? A.—No.

T. MARSHALL OSTROM, recalled.  
Examined by

MR. TILLEY: Q.—Did you bring the other stock certificate? A.—I did not.

Q.—Did you find it? A.—I did not find it.

Q.—Did you look for it? A.—I did not. I did not have time.

Q.—You did not have time since yesterday? A.—I was too busy.

Q.—Beg pardon? A.—I forgot all about it. I intended to do it.

Q.—If you had thought about it would you have had time? A.—Yes, and if I get it I will send it to the commission if you wish.

Q.—You put it now on the ground that you did not think about it? A.—No.

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Q.—Not that you did not have time? A.—Well, I did not have time to think.

Q.—You did not have time to think about it? A.—No.

Q.—That makes it quite consistent. Did you bring the seal of the company? A.—Yes.

Q.—Where is it?

MR. VANSICKLE: Here it is.

MR. TILLEY: Have you the stamp?

MRS. FIFE: I have not the stamp here.

MR. TILLEY: Q.—Have you made any search for the draft of the agreement with yourself? A.—I have. I telegraphed Mr. Wilson who had all the—

Q.—How long ago did you telegraph him? A.—Just before I went to Winnipeg, I guess a day or so before.

Q.—That was some time after the agreement was signed? A.—He had sent some original resolutions back, which he had formed in his own handwriting, he had taken them all away with him. I wrote him. There were some things that hadn't come back, and I wanted everything that was in Winnipeg, and I telegraphed him, and I have been unable to place my hands on it since.

Q.—He sent it? A.—I telegraphed him to send it. I have not received it that I know of.

Q.—You telegraphed for it, but you do not know whether you have got it or not? A.—No.

Q.—Why did you telegraph for it? You had the agreement; why did you want the draft? A.—Because I am in custody of all the draft minutes of the Secretary. They are under my charge and I should have them in the office.

Q.—Why did you want Mr. Wilson's draft agreement? A.—That is all, just because they were in my custody.

Q.—But you had the original document complete and signed? A.—That don't count with the company. They must have all their resolutions signed by the proper people.

Q.—The draft was not signed? A.—Well, it was in someone's handwriting. It was not in mine.

Q.—It was not signed? A.—Well, I wanted the draft.

Q.—Why? A.—For the reason that I am supposed to keep all these things on record.

Q.—The supposition does not seem to work out because you do not seem to know now about it—to know

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whether you got it or not? A.—I am telling you the facts.

Q.—Has it been destroyed? A.—No, I do not think so—not on my part.

Q.—Are you in a position to say that the amount fixed as the maximum was not \$15,000, because Mr. Gordon tells me that his recollection is clearer than he stated it in his evidence that it was \$15,000? A.—I think at the Provisional Directors' meeting that Mr. Gordon did, and it was argued out and settled at \$25,000.

Q.—After the meeting? A.—No, before it went before the shareholders. I think Mr. Gordon will remember that.

Q.—You thought it was too small—\$15,000? A.—No, I did not think it was too small.

Q.—Well, it was not because any person else thought it was too small that it was changed? A.—Well, I think so.

Q.—You think some person else thought it was too small? A.—I think so.

Q.—Who? A.—Some of the Directors.

Q.—Mr. Graham? A.—No, I think a majority of the Provisional Directors.

Q.—They thought \$15,000 would be too small for your services, and forced the \$25,000? A.—It was not \$15,000 for my services. It was not to exceed \$25,000 at any time.

Q.—It was not to exceed that; that was the maximum? A.—Yes. May I ask you a few questions?

Q.—Ask me? A.—Ask the Commission.

Q.—I do not know that you can ask them questions, but if you want to make any statement you may do so? A.—If I ask a question will it be answered?

Q.—If you have any explanation to make in regard to some of the evidence you have given we would be very, very pleased to hear it; if you have not, then we are through? A.—In the first place I want to know why we are called before all these other companies—other companies that have been in business for years?

Q.—Is there any other matter? A.—The newspapers have made statements regarding the investigation here which are untrue.

Q.—Well, perhaps some others have made statements that are equally untrue? A.—I do not doubt that, but not on my part. I do not believe that there is one of our members who



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has made statements knowing that they are untrue.

Q.—Is there anything else? A.—Well, that is just the few statements I wanted to make.

MR. KENT: Do you think a single share of stock could have been sold if your prospectus had contained the information that has been laid before the public during this examination as to— A.—Your honor, there would not have been a share in the east sold unless those plans were in, and I sold the stock myself and explained. It is very hard to sell stock for an insurance company. I was connected with another company called the North Western Life before this and we could not sell. I attributed all my success in getting the stock subscribed to this plan. We have had a wonderful amount of stock subscribed. I went further; all other insurance companies only had \$250,000 of stock subscribed before they entered the insurance field. We put in \$650,000 of stock. You wonder why we were two years getting started. Well, that is why. We are just as strong as companies in business five or ten years.

Q.—If you had stated to these people: "I am to get \$50,000, what would have been the result?" A.—I told everyone and gave agents instructions to that effect.

Q.—You told every shareholder? A.—Yes, and President and everybody else, and they knew what they were going to pay for it. It was the means of putting the company where they are to-day.

Q.—Did you tell the intending stockholders that you were getting \$50,000? A.—I told them I was getting \$49,000 paid-up stock, and \$1,000 in cash.

MR. TILLEY: I will put in forms of the five policies that are now being issued by the company. (Exhibit 424.)

MR. LANGMUIR: I understand they have written a considerable amount of insurance.

MR. TILLEY: Mr. Ostrom gave some figures as to insurance.

JUDGE MacTAVISH: \$185,000 in one month.

# HOME LIFE ASSURANCE COMPANY.

MR. R. J. McLAUGHLIN, K. C., appears for the Home Life.

JAMES K. McCUTCHEON, sworn. Examined by MR. TILLEY:

Home Life. (J. K. McCutcheon Ex'd.)

Q.—You are the Manager of the Home Life Company? A.—I am.

Q.—And you have occupied that position since what date? A.—12th October, 1905.

Q.—Being the occasion of the consummation of the transaction between the Home Life and the People's Life, whereby the Home Life reinsured the People's Life business; is that right? A.—Yes.

Q.—Prior to October, 1905, what position did you occupy? A.—As superintendent—you mean during the year?

Q.—Well, just immediately prior? A.—Manager of the People's Life.

Q.—And how long had you been manager of that company? A.—From 30th of April to the 12th October.

Q.—30th April, 1905, to October, 1905? A.—Yes.

Q.—Prior to April, 1905, what position did you occupy? A.—Superintendent.

Q.—Of what? A.—Of agencies for the Federal Life.

Q.—For the Federal Life at Hamilton? A.—Yes.

Q.—How long had you been superintendent of Agencies there? A.—Verging on a period of about 10 years.

Q.—So that you were in the insurance business before you went into the People's Life at all? A.—Yes, many years.

Q.—And had you ever occupied any head office position other than the Superintendent of Agencies for the Federal? A.—No sir.

Q.—That was the position from which you went to be Manager of the People's Life? A.—Yes.

Q.—What was the occasion of your leaving the Federal and going into the People's? A.—In my estimation, it was a matter of preferment.

Q.—A matter of preferment. Had the People's Manager left them? A.—I won't say that, but I understand the company was managed by the Secretary before that time.

Q.—For how long had it been in that position? A.—I cannot state; I do not know.

Q.—With whom were your negotiations carried on which resulted in your becoming Manager of that company? A.—With the Directors of the People's Life.

Q.—What Directors in particular? A.—President, Vice-President and others.

Q.—The Vice-President and President and others. Who in particular of these? A.—The President.

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Q.—Who was the President? A.—The Hon. Mr. Stratton.

Q.—Who were the other Directors of the People's Life? A.—The Vice-President, the late Mr. T. P. Coffee, Mr. Karn of Woodstock, Mr. Holland, and Mr. Kloepper of Guelph.

Q.—These men were all connected, were they, with the Dominion Permanent Loan Company? A.—I cannot answer that, I do not know.

Q.—You do not know? A.—I know some of them were, but I cannot say that they all were.

Q.—Tell us the extent of your knowledge on that subject? A.—I believe they were, after consideration; I think they were.

Q.—And prior to your going into the People's Life did you know who were the persons, or what company or companies were chiefly interested? A.—I cannot say that I did.

Q.—You had never before you became Manager been associated in any way with the People's Life? A.—Not in any way.

Q.—The People's Life had incorporation under the Ontario Statutes, had it not? A.—Yes sir.

Q.—And had merely an Ontario license, had it? A.—An Ontario license.

Q.—Did it ever seek a Dominion license that you know of? A.—Not to my knowledge.

Q.—Nothing was ever done towards obtaining any Dominion license? A.—No.

Q.—An Act of Incorporation was passed in 1892, Chap. 102 of the Ontario Statutes of that year. Did it have capital stock in the ordinary sense of the word? A.—I believe not.

Q.—What was the distinction between the People's Life in that regard and the usual life insurance company? A.—The People's Life was looked on as a mutual company, where in the ordinary life company, a stock company, it is different to that extent.

Q.—The People's Life was regarded as a mutual company, the money to represent capital being raised in what way? A.—By debentures I believe.

Q.—Originally was there any debenture stock? A.—I think there was in the early history of the company.

Q.—The Act of Incorporation provided that every person who held one or more debentures of the company, and every policyholder should be deemed to be a member of the company. They constituted the members—any

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persons who held debentures and those who were the policyholders; that is right is it not? A.—I believe so.

Q.—And there seems to be no provision there for any debenture stock? A.—You are referring now to the early history.

Q.—Yes, before the other legislation? A.—Yes.

Q.—Then the voting power was comprised of one vote for every \$100 of debentures, and, each policyholder should have votes according to the amount of his policy, \$500 one vote, \$500 to 2,000 two votes, and one vote every additional \$2,000, but no member shall be entitled to vote while in arrear for any premium due by him to the company. The voting power has never been altered has it? A.—Not under my management.

Q.—Has there been any annual meeting under your management? A.—No sir. You are speaking now of the People's Life.

Q.—Yes. You became Manager in April you say? A.—March 30th.

Q.—March, 1905? A.—Yes.

Q.—And this is September, 1906? A.—Yes.

Q.—How is it that there were no annual meetings of shareholders or annual meeting of members of the company? A.—Of the People's Life?

Q.—Yes. A.—It ceased doing business.

Q.—Has the company, according to your view, passed out of existence? A.—I would consider it so.

Q.—Are there any debenture-holders now of the People's Life? A.—I believe they are all retired, with one exception.

Q.—What exception is that? A.—That is one of \$5,000 which I have been in correspondence with, and I have the authority of the President to accept it.

Q.—One of \$5,000 that you have corresponded with, and you have the authority of the President to accept that? A.—Yes, I am in correspondence with him regarding that.

Q.—Has the People's Life a Board of Directors now? A.—I cannot answer that, I do not know.

Q.—Are you an officer of the People's Life? A.—I am not.

Q.—Who is an officer, do you know? A.—I do not know that they have any officers.

Q.—So that you do not know whether the company has officers or Board of Directors now? A.—I do not.

Q.—The provision in the Act was that one of the Board should retire

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annually, but that has never been considered at all since you have been Manager, because you have never been appointing Directors? A.—No.

Q.—Then section 12 gave the power to issue debentures, and it reads in this way:

“The Board may issue debentures to any amount, not exceeding in the whole the sum of \$20,000, transferable only on the books of the company in favor of any person, firm, building society, banking or other company, for the loan of money, and may borrow money therefrom on such debentures for any term not exceeding five years, and on such conditions as they think proper, and may renew the same from time to time, the whole of the assets being held liable to pay the same at maturity, but no such debenture shall be for a less sum than \$100.”

So that the original power of the company to issue debentures was limited to the sum of \$20,000? A.—I should say so.

Q.—You know enough of the history of the company to remember that, don't you? In 1894 an Act was passed increasing the power to raise money on debentures to \$50,000. Was that your understanding? A.—Yes.

Q.—Then section 13 provided for an initial deposit with the Provincial Government of \$10,000 in cash, or stock debenture or other securities, and then it provided for a graded deposit afterwards according to the amount at risk. If the amount at risk exceeds a million dollars, then for each additional one million dollars or fraction thereof the company shall keep on deposit with the Department the sum of \$5,000, and the additional deposit shall be either in cash or securities as aforesaid. Has the company any deposit with the Ontario Government now? A.—I believe so.

Q.—How much? A.—I am not just clear on the amount. I know it was increased after my management.

Q.—You know it was increased at the end of the year? A.—Yes.

Q.—Have you anything here, any book here that will show that? A.—I do not think so, I do not know.

Q.—It is a deposit slip of the Traders Bank for \$10,000; is that right? A.—Yes, I believe so.

Q.—Bearing interest? A.—Yes.

Q.—That is one of the items that is set out in your account, a \$10,000 deposit slip I think? A.—Yes.

Q.—Section 16 provided for the incorporation into the Company's Act

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of Incorporation of different provisions of the Ontario Insurance Act, certain sections, mutual fire sections are to apply. Then there was an Act obtained in the year 1901, assented to on the 15th April, 1901. I suppose that you know of that Act, but of course you had nothing to do with the obtaining of it? A.—Nothing to do with it prior to the 30th March last.

Q.—At the time that Act was passed there was authority in the company to issue debentures up to \$50,000? A.—Does the Act state that?

Q.—Yes, that is the 1894 Act? A.—It states that, does it?

Q.—Do you know that or do you not? A.—I do not know.

Q.—You do not know what the power of the company was in that regard at that time? A.—I do not.

Q.—You do know the power of the company under this 1901 Act? A.—Yes, I should say fairly well.

Q.—Then we will deal with the position of the company under this Act. Section 1 of the Act, which is chapter 96 of 1 Edward VII, which provides that the Directors may from time to time issue debenture stock in such amounts and on such terms, and bearing such rate of interest, and in such currency as the Directors may from time to time think proper, but the amount borrowed at any one time on the security of debenture stock, shall not, unless with the consent previously obtained of the Lieutenant Governor-in-Council exceed in the whole \$250,000. Mr. McLaughlin says there is an additional \$5,000 with the Department.

Q.—Can you say, Mr. McCutcheon how much there was outstanding in debentures, when this Act was passed in 1901? A.—I cannot. I do not remember.

Q.—You do not remember and you have never looked into it? A.—I have not.

Q.—The books, of course, will show that. A.—Yes.

Q.—Do you know why authority was obtained to issue debenture stock in 1901? A.—I do not.

Q.—Then Section 2 provides that the holders of any debentures of the company may, with the consent of the directors, at any time exchange such debentures for debenture stock. Do you know whether such exchanges were made? A.—I understand there were. The prior stock was retired.

Q.—The prior debentures were retired? A.—Yes.



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Q.—Who held those prior debentures? A.—I cannot say. I do not remember.

Q.—Let us have the books then and we will find out. I suppose they would show? A.—I judge so.

Q.—Then Section 3 is a clause that makes it impossible for the holder of the debenture stock to demand repayment, but gives the company the privilege of giving him back his money with interest, after five years have expired, does it not? A.—It reads that way.

Q.—You know that that is the provision, do you not? A.—That part of it I dealt very little with.

Q.—That part is the part under which you are acting now in repaying these people their money, is it not? A.—They are being repaid.

Q.—And you are repaying them? A.—No, I am not.

Q.—Have you not been repaying them since the arrangement went through between the Home Life and the People's? A.—The People's Life have been repaying.

Q.—Who are the People's Life? A.—That would be the President who is giving that personal attention.

Q.—Mr. Stratton, do you mean? A.—Yes.

Q.—And you have not been giving it attention? A.—I have not.

Q.—And you say you have not been considering this section at all? A.—I have not.

Q.—Then Section 4 provides (reads). Were all the debentures retired by debenture stock? A.—I cannot answer that. I do not know. I believe so.

Q.—Mr. Stratton will have to tell about that, I suppose. You cannot give any information? A.—I was told and informed that it was. I did not look into it personally. I accepted that.

Q.—But you cannot say what the debentures amounted to and you had nothing to do with the transaction regarding the exchange yourself. A.—I did not.

Q.—“The company shall cause entries of the debenture stock, from time to time issued, to be made in a register.” You had nothing to do with the keeping of that book? A.—No.

Q.—“The debenture stock when fully paid up shall be transferable.” (reads). You had nothing to do with that book either? A.—No.

Q.—While you were the Manager of the People's Life there were no transfers that you gave any attention to personally? A.—That is cor-

rect, sir. I gave no attention to them.

Q.—Everything relating to the transfer of the stock and the exchange of the debentures was attended to by Mr. Stratton? A.—Yes, and his co-directors.

Q.—By Mr. Stratton, chiefly, and under his direction? A.—Yes.

Q.—Then, if you cannot give any personal information about that, Mr. McCutcheon, I suppose that when you became Manager, you at once looked into the position of the company as to impairment and saw how the impairment had been built up year by year, did you? A.—No, on assuming the management the first thing I thought wise to do was to give personal attention to the field force at once; find out if there was any improvement to be made there. I looked into that carefully and I made such improvements as I thought wise.

Q.—Will you tell me, Mr. McCutcheon, the arrangement you made with the company as to your remuneration when you became Manager? A.—Are you referring to the People's Life?

Q.—Yes. A.—An arrangement for a salary of \$5,000 a year.

Q.—A straight salary of \$5,000 a year? A.—Yes.

Q.—Anything in addition? A.—A slight commission on increased business.

Q.—A slight commission of what? A.—One per cent.

Q.—One per cent. on what? A.—The increased premium income of the company.

Q.—One per cent. on the increase each year of the premium income, while you would be Manager? A.—Yes.

Q.—Have you a copy of that contract here? A.—I have not. It could be obtained.

Q.—You have not a copy of your old contract with you? A.—No. That is what it was.

Q.—Did the provision for payment of commission continue if you left the company? A.—No, there was no provision.

Q.—On the termination of your engagement in any manner the agreement came to an end and all payments ceased. A.—Yes.

Q.—That is to say, if the agreement was properly brought to an end by either party, is that right? A.—Yes, at that issue I was either the man or I was not, and I was not particular, when accepting the position.

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Q.—When you were accepting the position you did not want a contract that tied up the company to you, unless you were the proper man for the company? A.—That is it. I felt perfectly satisfied that I could prove my ability and secure from the company a contract sufficient to indemnify me for the duties called upon.

Q.—I suppose that without going too much into unnecessary detail, that contract with the People's was a better contract for you than your previous contract with the Federal? A.—Oh yes, there was some preferment although had I remained with the Federal, I have no doubt there would have been preferment there.

Q.—But it was an improvement on your former arrangement? A.—Yes, sir

Q.—And you were not in any way anxious to tie up the company to a contract extending over a certain number of years? A.—I was not, until I looked fully into the affairs of the company.

Q.—Then, besides looking into the field force I suppose you did examine in time into the financial position of the company? A.—To a fair extent.

Q.—Were any efforts being made by the company to sell out its business at that time? A.—On my accepting the management?

Q.—Yes? A.—Not to my knowledge.

Q.—Were any negotiations carried on for amalgamation or sale or re-insuring of business with any company other than the Home Life? A.—Not that came to my knowledge. I believe not. I don't think there was. Not that I know of. If there had been it was prior to my management

Q.—Then, just to show the position of the People's at that time, I would like to show you some statements that have been made up as to receipts and expenses and see whether you can confirm them. (Filed as Exhibit 425.) This is a statement showing the premium receipts expenses and deferred and outstanding premiums and reserves from 1892 down to 1904? A.—I took the report that was given in 1904.

Q.—And have you never gone back over the previous years? A.—No, because you see within a few months negotiations were on and it was not necessary until I would know what the outcome was.

Q.—You say that soon after you went into the People's Life negotiations were on for the transaction which was ultimately carried through

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with the Home? A.—Yes, shortly after.

Q.—Was it pending when you became Manager? A.—Not to my knowledge.

Q.—You were not made aware of the negotiations before you became Manager? A.—No, I was not.

Q.—And you say that soon after March 1905—how soon did the negotiations commence? A.—Oh, say a few months. I had looked into the affairs of the company and I suggested that it would be wise to form a larger company and reinsure the contracts.

Q.—Reinsure the insurances of the People's Life? A.—Yes.

Q.—What brought you to that conclusion? A.—Well, the agency force and the business. It was a matter of say 2½ millions of business; I thought, here we can attend to probably 6 or 7 millions of business at a fractional less cost and eventually it will be better for the policyholders and all concerned.

Q.—That is you thought the uncontrollable expenditure would not be much more for combining your business with the business of some other company and making it a larger volume of business to handle? A.—Correct.

Q.—The People's had been in business from 1892 down to 1904, a matter of some 12 years? A.—Yes.

Q.—So that it was not what you would call a young company? A.—No.

Q.—Is it unfair to say that you have found that the People's had not been making very satisfactory progress? A.—Well, when I went there they had a nice business, there is no doubt about it.

Q.—What do you mean by a nice business? A.—A nice paying business; a very low death loss, a well paid for business; the death loss was marvellously low; in fact it surpassed my expectations.

Q.—The death rate was very favorable? A.—Yes.

Q.—Is that the only thing you can emphasize on that side? A.—And the business was well paid for; the premiums were coming in well.

Q.—What do you mean by well paid for? A.—Kept up and the business done.

Q.—That is persistent business? A.—Yes, paid for business.

Q.—The insurance not lapsing? A.—Oh, there are always lapses.

Q.—But a low lapse rate, is that

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what you mean? A.—Well, lapses sometimes are beneficial you know.

Q.—But is that what you mean, that it was a low lapse rate? A.—No, I mean that the business was a nice business, well paid for and well kept up. The lapsed element then was not so great.

Q.—Here are the premium receipts in 1892, amounting to \$3,511. In 1894 they amounted to \$10,772.09. In 1895 the premium receipts dropped back to \$7,226. In 1896 they went back to \$5,586. In 1897 they were \$9,642, and then from 1897 to 1898 there was a large increase, up to \$28,881, and then it continued at about \$28,000. In 1901 it was \$30,720; in 1902 \$46,889; in 1903 \$67,059, and in 1904 \$68,790. That was the history of the premium receipts of the People's Life over the 12 year period. In 1904 that would agree with your understanding? A.—Yes, \$68,000.

Q.—Then, take the impairment. In 1892 there was an impairment of \$7,796; in 1893 \$10,200; in 1894 \$21,278; in 1895 \$21,170; in 1896 the impairment was decreased down to \$14,080, but that was the year where the large falling off occurred in the premium receipts, so apparently there was very little pressing for business that year. That would be your understanding of it? A.—Yes.

Q.—In 1897 the impairment was \$27,999; in 1898 it was \$13,640; in 1899 \$46,656; in 1900 \$48,530; in 1901 \$109,242. It was more than doubled in that year. In 1902 \$187,321; in 1903 \$233,600, and in 1904 \$221,078. Now, does that agree with your recollection in 1904? A.—Yes.

Q.—That year and the year 1903 were very much larger than any other years, although the company had been in business for some 12 years? A.—Yes.

Q.—Would not that affect your statement, as to the position of the company at that time? A.—No, because during those two years the company was without a manager, nominally speaking.

Q.—During the years 1903 and 1904? A.—Yes.

Q.—Do you know why it was without a manager during those two years? A.—I do not, beyond the secretary had to do the management of the company.

Q.—Was he doing the management of the company because it was looked upon as a prudent arrangement or was it a make shift arrangement? A.—I cannot answer that.

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Q.—You do not know about that? A.—No.

Q.—Then, prior to that, take 1901 and 1902, when the company had been in business for 10 years. In 1901 the impairment increased from \$84,530 up to \$109,242; more than double. That seems to be a large increase in impairment after a company has been running 10 years, does it not? A.—I am not conversant with the early history there. I have paid little or no attention to it.

Q.—I am not asking about the early history, I am trying to give the Commission the same information you obtained when you became manager of the People's. You have spoken of it as being satisfactory, as I understand you? A.—I made up my mind when I accepted it that it could be made satisfactory that the element was there.

Q.—That it had the groundwork of a business that you could develop and make satisfactory? A.—I hoped to do so or I would not have accepted the position.

Q.—But the result of the previous years' business of the company, extending over 10 or 12 years, must have been disappointing to the people connected with it? A.—It would look that way.

Q.—And I suppose that there cannot be any question that it was that feature that caused the persons interested in the company to look about to see what arrangement could be made by way of amalgamation or reinsuring or of any other nature? A.—Well, as I stated, I recommended that after being there a few months, after I had looked into the affairs of the company.

Q.—Was that a matter that was up for discussion, how this condition of affairs and how this history the company had had could be improved? A.—No, that was left entirely to me. I looked at it and I made my report recommending to the directors and President that it would be wise to reinsure their contracts and get a larger company.

Q.—Do I understand then that that was initiated by you? A.—Undoubtedly.

Q.—It was initiated by you, the transaction with the Home Life? A.—Yes, I recommended the reinsuring of the business.

MR. LANGMUIR: What policies were current in 1904? A.—In the People's Life in the neighbourhood of about, I should say 2½ millions, in round numbers.



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MR. TILLEY: Another sheet of Exhibit 425 gives the amount of business in force each year. In 1892 the amount in force was \$209,000. In 1893, \$502,300; in 1894, \$451,360, being a decrease of \$51,000. In 1895, \$337,231, a decrease of \$114,029 over the preceding year. In 1896, \$246,581, a decrease of \$90,650. In 1897, \$452,820 or an increase of \$206,239; in 1898, \$1,057,118, more than double that year. In 1899, \$1,247,651; in 1900, \$965,247; in 1901, \$1,552,000, being a very substantial increase. In 1902, \$2,108,757; in 1903, \$2,337,557 and in 1904, \$2,649,842. That indicated the insurance in force, which during four of the year's decreased as compared with the preceding year and the remaining eight years showed an increase over the preceding year? A.—Yes.

Q.—Then, did you regard 2½ million of business as a fair showing for 12 years, or did you think that that was rather a small amount of business to have in force at the end of that period? A.—I did not consider it in that way; I looked upon 2½ millions of business as a very nice asset and then, adding to that business it could probably be made a valuable company later on.

Q.—Any way you were not concerned with how long it had taken to build up that business? A.—No, I know from experience the work required to build up 2½ millions of business.

Q.—You looked upon it from the standpoint of the asset you had in hand to commence that business and then to go on from that point? A.—That is right.

Q.—Then there is a sheet giving the premium income, increase and decrease, but of course that varied about the same as the insurance in force? A.—According to the business in force, yes.

Q.—Then, Mr. McCutcheon, if you initiated the transaction with the Home Life were you the one that carried on the negotiations? A.—No.

Q.—Who carried on the negotiations? A.—That was done by our solicitor.

Q.—Who was your solicitor? A.—Mr. Warren at that time.

Q.—Mr. J. J. Warren? A.—Yes.

Q.—Then Mr. Warren was acting for the People's Life, I suppose? A.—I think so, yes.

Q.—Who did he carry the negotiations on with, do you know? A.—No, I cannot say, beyond I would sup-

pose it would be with the managing director then of the company.

Q.—The managing director of the Home Life? A.—Yes.

Q.—That would be Mr. A. J. Pattison? A.—Yes.

Q.—Did Mr. Warren act under your instructions or the instructions of some person else connected with the People's? A.—Well, principally under my advice.

Q.—Reporting to you from time to time? A.—Yes.

Q.—Was Mr. Warren the person who first saw Mr. Pattison about the transaction? A.—I cannot say that. I don't know.

Q.—Tell me how you got in touch with the Home Life? A.—By speaking with the President of the People's Life?

Q.—Mr. Stratton? A.—Yes.

Q.—Tell me what happened that led up to the arrangement that was ultimately carried through? A.—Stating that I heard the Home Life might possibly be obtained, and it might be wise to consider the matter.

Q.—Had you had any discussion with the Home Life at that time? A.—No.

Q.—That was a hearsay report that you had got? A.—Yes.

Q.—And then what happened after that? A.—It was brought up by interview, I suppose, by Mr. Warren and the others.

Q.—I would like to know what happened? A.—It resulted in the Home Life taking over the insurance contracts of the People's Life?

Q.—But you said that you thought the Home could be obtained? A.—Yes.

Q.—Now, were the People's obtaining the Home Life or the Home Life obtaining the People's? A.—The Home Life obtained and took over the contracts of the People's Life.

Q.—Then, do I understand, that you did not make or give instructions for the making of the arrangements with Mr. Pattison? A.—I did, I endorsed it.

Q.—Did you devise the plan by which it was carried through? A.—To a great extent I did.

Q.—Did you make any investigation of the Home Life business? A.—Oh yes, the report to the Government, I accepted the last Annual Report.

Q.—You made no other investigation of the business? A.—No.

Q.—You took the Government statement for it? A.—Yes.

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Q.—And the Home Life, did it make any investigation of your business or take the Government Statement? A.—Took the Government Statement.

Q.—Before the transaction was carried through I suppose you learned of the contracts that were existing in the Home Life with the Manager and any other officers, that would be one thing you would be informed about? A.—Yes.

Q.—Who gave you information on that subject? A.—I am not positively clear on that. It might be through Mr. Warren or some of them, but I cannot say who first. I am not clear on that.

Q.—Can you tell us of any particular date when you learned of the contracts that were existing? A.—I cannot.

Q.—When the knowledge came to you? A.—I have no particular date.

Q.—Were the contracts with Mr. Pattison and any other officers submitted to you or copies? A.—No.

Q.—You never saw the contracts yourself? A.—No.

Q.—Nor any copies, but you were told the effect of them? A.—I was.

Q.—And did you understand the contracts to be as they afterwards turned out when you saw them? A.—Yes.

Q.—What other contract besides Mr. Pattison's contract did you get any information about? A.—Mr. Firstbrooke.

Q.—Who was Mr. Firstbrooke? A.—One of the directors, I believe, Vice-President of the Home Life.

Q.—That is Mr. John Firstbrooke? A.—Yes.

Q.—He became President in 1904? A.—Yes, either President or Vice-President.

Q.—Did you learn of any other contracts that were in existence with the Home Life? A.—In what reference do you mean? Agency contracts?

Q.—Any other special contracts that you knew of before the arrangement was carried through? A.—No, sir; those two contracts, Mr. Pattison's and Mr. Firstbrooke's.

Q.—And you don't know from whom you obtained information about them? A.—No, I am not clear on that.

Q.—Will you tell me what you think about it? A.—What I think about the—

Q.—What you think about who you got that information from, even if you are not very clear? A.—Oh, it might have been from Mr. Stratton or Mr. Warren, either one.

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Q.—Then, probably it would be as convenient to put in the contracts with Mr. Pattison now. They will have to be referred to again and they might as well be in. I think we might attach Mr. Pattison's contracts together and make them one exhibit. (Filed as Exhibit 426.) Mr. Firstbrooke's contract will be the next Exhibit. (Filed as Exhibit 427.) There are copies of three different agreements with Mr. Pattison produced; the first one is dated the 14th September, 1893, the second is dated the 1st May, 1897, and the last one the 12th November, 1898. I suppose, Mr. McCutcheon, that the only agreement you were interested in at the time was the last agreement, the one of November, 1898? A.—Yes, sir.

Q.—Then we will put it on the face of the different agreements. I will read that agreement and I will not bother for the present reading the previous agreements which are attached to it. They may come up to be discussed later. It is dated 12th November, 1898, between the Home Life of the first part and A. J. Pattison of Toronto of the second part. (Reads.) Without going into detail about it, is that agreement now in force? A.—No, it is not.

Q.—When the transaction between the Home Life and the People's was consummated that agreement terminated and no payments are being made under that agreement to Mr. Pattison since? A.—There are no payments made to Mr. Pattison since; none whatever.

Q.—And that agreement is cancelled? A.—That agreement is cancelled.

Q.—Then one agreement is produced with Mr. Firstbrooke, and it is dated the 14th February, 1899; the Home Life Association of Canada, of the first part and John Firstbrooke, of the City of Toronto, manufacturer, of the second part (reads Exhibit 427.) That is signed by the Home Life Association, A. J. Pattison, General Manager, John S. King, M.D., and signed by John Firstbrooke.

MR. LANGMUIR: What was the volume of business of the Home Life in force at that time?

MR. TILLEY: Perhaps Mr. McCutcheon could give us that from the books. I do not know that I can put that in at this time, but I will come to that later. Is that agreement with Mr. Firstbrooke now in force? A.—No, not in force.

Q.—On the consummation of the arrangement between the Home Life

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and the People's Life both those contracts came to an end? A.—They did.

JUDGE MAC TAVISH: In the Blue Book for 1905, containing the Report for the year 1904, the net premium income is given as \$129,138.43.

MR. TILLEY: I have statements showing what moneys were paid under those agreements, but I thought that would probably come more naturally from Mr. Pattison himself. I was just asking Mr. McCutcheon now as to the condition he found the Home Life in with respect to contracts. You knew of both those contracts before the arrangement was concluded? A.—Before it was finally concluded.

Q.—And you have told me I think, that you did not know of any other special contracts before it was finally concluded? A.—I knew of none at that time. Nor since.

Q.—These contracts that we have read cover all the special arrangements made with any of the officers or directors of the Home Life company? A.—They do.

Q.—Then we will probably refer to those again later. But I will put in now the contract that was concluded between the Home Life and the People's. The original agreement for the carrying out of the arrangement which was concluded between the People's Life and the Home Life is dated 12th October, 1905, and is produced. We will file a copy as an Exhibit (No. 428.) (Reads Exhibit 428.)

That agreement then was dated on the 12th October, the date when you say the transaction was completed? A.—Yes.

Q.—And at that time Mr. Kirby, who was the Secretary of the People's, had become the Secretary of the Home Life? A.—Yes.

Q.—That is, certain changes had been made in the personnel of the Board of the Home Life which we will refer to later. Now was there any other agreement than that document which I have just read, regarding the transaction that took place between the Home Life and the People's Life? A.—None that I remember of. I remember no other.

Q.—You never saw any other document? A.—Not to my knowledge.

Q.—Either before or at the time or since the transaction took place as to the arrangement then made? A.—Not that I can remember of. I remember of no other.

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Q.—And so far as you are concerned, you are a party to no other? A.—I am a party to no other that I know of.

Q.—There was an agreement made with you at the same time though, was there not? A.—Yes.

Q.—With you, as the new Manager of the Home Life Company? A.—Yes.

Q.—The transaction involved the continuation of the business of the Home Life rather than the continuation of the business of the People's did it not? A.—It would necessarily involve both.

Q.—The Home Life was to be the company to continue? A.—Certainly.

Q.—And the People's was to be the Company to be wound up by degrees as it could be wound up? A.—Yes.

Q.—Was it done in that way because the Home Life had a Dominion Charter? A.—That would be one of the considerations.

Q.—Any other consideration? A.—That would be the important one, the only important one that I can remember at this issue.

Q.—In the way it was done it was optional which company you would continue practically, was it not? A.—Well, our preference would be to continue, in fact it made no difference in one way, it could make no difference because either one could have gone on.

Q.—The People's could have gone on and obtained a Dominion License? A.—Yes.

Q.—But the Home Life already having a Dominion license there was that object in continuing the Home Life company? A.—Yes, some expenses saved.

Q.—Mr. McLaughlin says that he is advised by Mr. Warren that he had in mind as well the peculiar nature of the incorporation of the People's as I outlined it this morning, in the shape of debentures and debenture stocks and so on; that the Home Life was deemed a preferable charter? A.—Undoubtedly the preferable charter.

(Adjourned to 2 p.m.)

#### AFTERNOON SESSION.

Resumed at 2 p.m., September 6th, 1906.

Examination of James K. McCutcheon continued:

MR. TILLEY: Q.—Were the terms of this agreement between the People's



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and the Home settled by you? A.—No, not fully.

Q.—You, though, were aware of every phase of the transaction I suppose as it was progressing? A.—Yes.

Q.—Did you arrange the terms of your own contract with the Home Life? A.—Yes sir.

Q.—Who did you arrange those terms with? A.—With the directors.

Q.—What directors? A.—The full Board endorsed it on my proposition.

Q.—I would like to know what Board? A.—First it was spoken of with the President, solicitor, the Vice-President.

Q.—I wish you would mention the parties by name? A.—Mr. Stratton, President, Vice-President Mr. King, and solicitor, Mr. Warren.

Q.—When you refer to officers of the company you mean the officers who became officers at the time the arrangement was carried through? A.—Exactly.

Q.—Was the agreement with yourself arranged with the former directors of the Home Life? A.—Oh yes.

Q.—Mr. Pattison, did he know of it? A.—Yes, Mr. Pattison knew of it.

Q.—Did Mr. Firstbrooke know of it? A.—I believe so.

Q.—Did you discuss it with Mr. Pattison? A.—I never did personally.

Q.—Who then discussed it with him? A.—I should say the directors, the Vice-President and President.

Q.—Do not say directors? A.—The same persons referred to.

Q.—Call them by name, I want to know what persons you dealt with? A.—Mr. Stratton, Mr. King—

Q.—Mr. Stratton discussed it with Mr. Pattison? A.—Yes.

Q.—But you did not? A.—No.

Q.—So far as you can say there was no discussion of the terms of your agreement with Mr. Pattison or Mr. Firstbrooke? A.—None whatever.

Q.—You believe Mr. Stratton did discuss the terms of your agreement with them? A.—I certainly believe so.

Q.—Just to make the record of the agreements complete I will read now the agreement with Mr. McCutcheon. (Reads agreement which was filed as Exhibit 429.) Did you arrange the terms of that agreement yourself or was it thrust upon you? A.—I consented to it. I was a party to it and understood it fully.

Home Life. (J. K. McCutcheon, Ex'd.)

Q.—You understood it fully and you assented to it, were the terms proposed by Mr. Stratton or were they proposed by you? A.—We discussed it together and mutually agreed.

Q.—This morning you said that you did not feel it necessary to tie the company to a contract for a long term of years, or a contract to give you a percentage extending over five or ten years; had you changed your mind in the meantime? A.—I was then referring to the People's Life.

Q.—What is the difference between that and the Home? A.—I felt perfectly satisfied if I made a success of the People's Life my future would be assured but I had to assume that responsibility on my own confidence.

Q.—And your confidence— A.—Is greater than ever it was.

Q.—And why did you want the form of the agreement changed? A.—Simply because that agreement existed when we assumed the Home Life transaction, the new agreement.

Q.—Because what agreement existed when you assumed the Home Life? A.—The agreement of Mr. Pattison and Mr. Firstbrook.

Q.—You found when you were carrying through the transaction the two agreements of Messrs. Pattison and Firstbrook? A.—Yes sir.

Q.—Covering a period of 15 years in all, a portion of which was yet to run? A.—Yes.

Q.—Those agreements were made about 1898 and 1899 which left about a ten year period? A.—Yes.

Q.—That ten years was still coming to Pattison and Firstbrook, and you thought well to incorporate a similar clause into your agreement? A.—Undoubtedly.

Q.—Why? A.—Because it existed there.

Q.—Were Pattison and Firstbrook, or either of them to get any portion of this percentage? A.—Each year during the contract.

Q.—At any time? A.—Undoubtedly as the contract called for.

Q.—I mean to say under your agreement with the Home Life— A.—Were they to get any portion of it?

Q.—Yes? A.—You mean for the future?

Q.—Are they to get any portion of the money payable under this agreement to you? A.—No.

Q.—Were they paid anything by you? A.—Yes.

Q.—When? A.—At the time of the transfers taking place and the com-

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pany taking over the business of the other.

Q.—How much were they paid? A.—\$80,000.

Q.—Who received the money? A.—I believe Mr. Pattison and the directors associated with him.

Q.—Who paid the money? A.—Through the solicitor it was paid, representing myself.

Q.—That is Mr. Warren? A.—Yes.

Q.—Is there any document in existence that covers that transaction? A.—I am not clear on that.

Q.—I wish that you would make enquiry so that we would have it because I asked you this morning for every agreement—

MR. McLAUGHLIN: I will give you a copy to put in (Hands agreement to Mr. Tilley).

MR. TILLEY: This covered the amalgamation too? A.—No, that was the purchase of the contract.

Q.—That was the purchase of 1,184 shares? A.—Of stock and their contract, the two contracts.

Agreement dated October 1905, between A. J. Pattison and J. K. McCutcheon, marked as Exhibit 430.

Q.—That agreement indicated an obligation on the part of Mr. Pattison, did it not? A.—Certainly, to deliver that stock.

Q.—And transfer his own contract and Mr. Firstbrook's contract? A.—Yes.

Q.—It does not indicate the obligation on your part. It says "Witnesseth that for valuable consideration the said Pattison doth hereby agree"—A.—Yes.

Q.—It does not say what the consideration was? A.—I have told you what it was.

Q.—You have said what it was, do you know why it was not in the agreement? A.—I know of no reason why it should not have been in the agreement.

Q.—Some person thought it wise to leave it out at any rate? A.—I see no reason why it should have been left out.

Q.—Then you say the consideration that you paid for the stock and the transfer of those two contracts was \$80,000? A.—Correct.

MR. McLAUGHLIN: The agreement is he paid \$25 a share besides the \$80,000.

MR. TILLEY: Mr. McLaughlin says that the stock was at 25 per share in addition to the \$80,000? A.—Certainly, premium on the stock.

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Q.—The 1,184 shares were 20 per cent. paid; there was a premium of \$5? A.—Yes.

Q.—That made \$25 a share? A.—Yes.

Q.—Did you pay that \$25 per share for the stock in addition to \$80,000 in cash? A.—I think so, yes; \$29,100.

MR. McLAUGHLIN: This statement here shows how it was made up.

MR. TILLEY: Then Mr. McLaughlin hands me a statement which I think probably I might as well put in.

MR. McLAUGHLIN: I do not think it is necessary to put in. You can use it in asking questions; there are some pencil marks there—

MR. TILLEY: Then I will have to read it. 1,184 shares were the property of: W. Briggs 50 shares, J. W. Curry 90 shares, F. Diver 50 shares; R. A. Wood, 50 shares; A. J. Pattison, 499 shares; John Firstbrook, 155 shares; W. A. Firstbrook, 65 shares; John S. King, 50 shares; J. S. King, M.D., 50 shares; N. F. Depew, 50 shares; Thomas Elliott, 75 shares, making 1,184 shares. The per cent. call and \$5 premium each share amounting to \$29,100. Taking those shares, first, Mr. McCutcheon, where did you raise the money to pay for those shares? A.—From the People's Life.

Q.—By a loan from the People's Life Company to you? A.—Yes.

Q.—How were they transferred to you, transferred in your own name or transferred to you in trust? A.—In trust.

Q.—Were you trustee for any particular person or persons? A.—No, I can only say as representing the company.

Q.—What company? A.—The People's Life.

Q.—Do you say that you were acting as a trustee for the People's Life in making that purchase? A.—I assumed that capacity.

Q.—You were not acting as trustee for any individuals? A.—No.

Q.—Have the People's Life treated those shares as being thus treated? A.—I should say they had.

Q.—Mr. McLaughlin says at the time the transaction was put through that you owed the company for the amount of the loan which was made to purchase the stock? A.—I did.

MR. McLAUGHLIN: They only belonged to the People's Life in the nature of the fact that they were security for the time being.

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MR. TILLEY: It is rather remarkable Mr. McCutcheon cannot tell us that? A.—I have forgotten it..

Q.—You know whether you are acting as trustee for persons or trustee for the company? A.—I say it would be for the company.

Q.—That is you are trustee for the company in so far as it is necessary to secure the loan, but subject to that loan whose property are the shares, or were the shares these 1,164 shares? A.—The respective holders.

Q.—What persons? A.—You have named them there.

Q.—No, those were the persons that they were bought from, I want to know who you were acting for when you made the purchase of the 1,164 shares, were you acting for Mr. Stratton? A.—I should say yes.

Q.—Do you know who you were acting for or were you doing just as you were told about it? A.—As I was advised by the solicitor.

Q.—As you were advised the transaction was being carried through? A.—The solicitor advised me; it is some time ago and it is hard to recollect.

JUDGE MAC TAVISH: The important point seems to be who has the beneficial interest in this particular stock now? A.—Much of it has been re-sold to different persons.

Q.—Who owns what is not resold? A.—I hold it still in trust.

Q.—I am asking who owns it? A.—The People's Life, naturally it would be an asset of theirs.

Q.—Then it was and is an asset of the People's Life—

MR. TILLEY: Mr. McLaughlin disclaims it as an asset of the People's Life.

MR. McLAUGHLIN: I prepared a statement as to the whole transaction.

MR. TILLEY: Q.—It was the intention I suppose to sell that stock out as opportunity offered? A.—Yes.

Q.—And it was standing in your name until the opportunity offered? A.—True.

Q.—And some of it has been sold? A.—Yes.

Q.—And there is a small balance yet? A.—Yes.

Q.—What I would like to know is had you not been able to sell it and there had been a loss on whom would the loss have fallen, or if there had been a profit who would have got the profit? A.—If there had been a loss certainly the company would had to stand the loss.

Home Life. (J. K. McCutcheon, Ex'd.)

Q.—The People's Company would have had to stand the loss notwithstanding that you were a borrower merely from the People's Life? A.—Personally, undoubtedly I would have had to have stood the loss.

Q.—Personally? A.—I was responsible for it.

Q.—Was any person else responsible to you or along with you? A.—No.

Q.—No person else—that was not a transaction of Mr. Stratton's? A.—No, I cannot say that.

Q.—Is it the fact that Mr. Stratton was putting through this transaction and he was using your own name and your position for the purpose of carrying it through so far as this purchase of stock and those ten payments to you of 5 per cent. on the premium income? A.—By consenting to be a party to it.

Q.—But the transaction was really Mr. Stratton's but put through your name so far as you know? A.—On my recommendation.

Q.—Was that your recommendation or was it his? A.—He would naturally take my advice in carrying it through to some extent.

Q.—I do not know whether he would be naturally taking your advice or you would be more naturally taking his advice—who initiated it, you or Mr. Stratton? A.—It would be probably talking it over together.

Q.—You cannot say the idea emanated from either one in particular? A.—No, I would not say it did.

Q.—(Reading from statement): "The sales that were made on the date of the purchase were to J. K. McCutcheon 50 shares; J. R. Stratton 50 shares; J. W. Lyon 50 shares; J. J. Warren 50 shares; J. L. Hughes 50 shares; William Briggs, D.D., 50 shares; John S. King 50 shares; D. W. Karn 50 shares. C. Kloefer 50 shares; J. W. Curry, K.C., 50 shares; making 500 shares; and the price paid by those parties was the same price that you acting as a trustee had paid to the Home Life? A.—Yes, in every case.

Q.—They paid no part of the \$80,000? A.—No.

Q.—None of these parties? A.—No.

Q.—Tell me what ones of these parties did pay any part of that \$80,000 that was paid to Mr. Pattison? A.—None.

Q.—Go over the names, your own name is there? A.—Yes, mine.



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Q.—That is Mr. McCutcheon, Mr. Stratton, did he pay any part of it? A.—No, I paid it.

Q.—You paid it all? A.—Yes.

Q.—Where did you get the money? A.—Mr. Stratton furnished it.

Q.—Don't you think it might have been fair to say Mr. Stratton paid some part of it? A.—I am responsible for it.

Q.—You are responsible for it to him? A.—Mr. Stratton, for the repayment of it.

Q.—You are responsible to Mr. Stratton for the re-payment of the \$80,000? A.—Yes.

Q.—And your security for the \$80,000 is the clause in your agreement with the Home Life whereby you are to get 5 per cent. on the annual premium for the next ten years? A.—Correct.

Q.—The five per cent. for the next ten years was added to your contract with direct reference to the contracts of Pattison and Firstbrook? A.—Just the same as theirs, identically, that contract was in existence.

Q.—Which contract? A.—Just the same as the contract that was in existence.

Q.—Do you say that the contract Mr. Pattison had and the contract that Mr. Firstbrook had were worth \$80,000? A.—Commuted, yes, for the term of ten years; take a premium income of a quarter of a million dollars and take the increase of business—

Q.—Tell us what the premium income of the Home Life was in 1904? A.—The Blue Book shows that.

JUDGE MAC TAVISH: In round figures \$130,000.

MR. TILLEY: And five per cent. on that would be \$6,500? A.—And then you could naturally expect a reasonable increase each year in the business.

Q.—That contract of Mr. Pattison's was a contract which covered his time and services for the whole ten years? A.—Yes.

Q.—It was the remuneration he received for giving his whole time to the affairs of the Home Life Company? A.—Or for managing the company.

Q.—You say the contract can be regarded as being worth \$80,000 to him—for him to give up and devote his whole time and attention to something else? A.—Well yes; if I held a contract like that after working for years I would naturally say it was worth a consideration and entitled to it.

Home Life. (J. K. McCutcheon, Ex'd.)

Q.—Mr. Pattison and Mr. Firstbrook took the \$80,000 in cash and that was their stipulation for giving up their positions in the company and surrendering their contracts? A.—And stock.

Q.—Finishing that transaction as to stock, that left a balance on December 31st, 1905, of 664 shares standing at \$16,600. Between first January, 1906, and 8th June, 1906, 392 shares were sold at \$9,800; still held 272 shares at \$6,800. That left a loan of \$6,800 on trust stock and besides that you have a loan from the People's on 50 shares of your own stock taken out of this 1,164 shares? A.—Oh no, no loan on my stock.

MR. McLAUGHLIN: That was paid for in cash.

MR. TILLEY: The loan is \$6,800 on the 272 shares, and besides that you have the 50 shares you took as your allotment of the 1,164? A.—But there is no loan on that.

Q.—Besides that you have in trust 556 shares which you call Treasury Stock, because nothing has been paid into the company on it? A.—Correct.

Q.—That is stock subscribed by shareholders and nothing paid? A.—That is right.

Q.—Instead of forfeiting the stock you have taken a transfer of it in your name in trust? A.—In trust as treasury stock.

Q.—Mr. McLaughlin says you simply took Mr. Pattison's price as to some of that stock? A.—Correct.

Q.—And as that stock is issued you propose to issue it subject to the call of the premium to the purchaser? A.—Yes.

Q.—In the meantime you are not considering yourself under any obligation to pay the 20 per cent. and the 5 per cent. premium on that stock? A.—No, because it is there in stock. I simply hold it in trust.

Q.—You hold it in trust as you suppose for the Home Life? A.—Correct.

Q.—Did the People's Life advance to any of these persons who had bought shares of stock anything with which to pay for their shares? A.—Not that I can recollect of at this moment—yes, there was, Mr. Karn, Mr. Kleopfer and Mr. Warren, and they have all been re-paid; they were only temporarily for a few days.

Q.—Did you understand that the People's Life had power to loan on the security of an insurance company's stock? A.—No, I did not; I

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did not look into that, I was not sufficiently interested then.

Q.—The question of the propriety of the People's lending the money on Home Life insurance stock did not occur to you, it was not discussed between you and Mr. Stratton? A.—No.

Q.—What is your opinion on that point now that I ask you it—you are the Manager of the People's had the People's any power to lend on Home Life stock? A.—The People's were actually retiring from business when it was done, the contracts were taken over and re-insured in the Home Life.

Q.—Answer my question as to the power of the People's Life under the charter and under the Provincial legislation to loan on life insurance stock? A.—It is a broad charter.

Q.—Will you answer the question now, what is your opinion? A.—Had they a right to do so?

Q.—Had they a right to lend on the capital stock of a life insurance company? A.—Our solicitor thought so.

Q.—Did he advise you that? A.—Undoubtedly, I won't say he advised us.

Q.—You have said a minute ago no person said anything about it and you did not think about it—you have not a sufficient knowledge of the Ontario Insurance Act to be able to say now, is that the fact? A.—You can put it that way.

Q.—I would like you to put it? A.—I will state that.

Q.—Were these 1,164 shares stock upon which the 20 per cent. had been paid as well as the 5 per cent. premium? A.—Yes.

Q.—Persons from whom you bought had paid up the 20 per cent. and the five? A.—Yes.

Q.—Can you say what that stock was worth to a man wanting to sell it? A.—I would consider it well worth \$125.

Q.—That would be since the People's and Mr. McCutcheon and others had gone in? A.—I would say any company—

Q.—I am asking before the premium was put up— A.—Take it even before, I would consider it good value at \$125.

Q.—Do you know what it can be bought at? A.—You often see that stock can be put on the market and run down for an object, but that does not regulate the value.

Q.—Were the shares of the Home Life being run down for an object,

Home Life. (J. K. McCutcheon, Ex'd.)

do you know? A.—No, I cannot say that.

Q.—Did you know they were being purchased by Mr. Pattison? A.—No. I would not want to say that.

Q.—Do you mean you cannot give any information upon that? A.—No. I will say this, since assuming the management I have no difficulty whatever in placing the stock at 125, and been solicited for stock at 125.

Q.—I would rather you would answer the questions I ask you, I am asking you before you became the Manager, which of course is an entirely different time, was the stock then on the market for less than 125? A.—I do not know.

Q.—You saw no quotations of it? A.—Not prior to my becoming the Manager.

Q.—Or since, that would throw any light? A.—Yes, since I have seen the quotations at different figures, but I could not learn of any sales at those figures. I may go this far to say a certain firm of brokers here will say we will offer you stock at 16 to 18 cents subject to prior sale and so on, but I could not get any. That broker might do that for an object, but they cannot say the stock was transferred on the books at any such prices.

Q.—Can you give any information as to what Mr. Pattison would be likely to have to pay for that stock in order to get the 499 shares which he sold to you? A.—I should think he would have to pay in the neighborhood at least of I would say 125.

Q.—At the rate of par and \$25 premium? A.—Taking any company with that volume of business—four or five millions, where a young company without a dollar of business can easily place stock at a premium, so that the stock was good value at that.

Q.—Was the \$80,000 that was paid in cash loaned to you or to you through Mr. Stratton by the People's Life Insurance Company? A.—I do not know.

Q.—Were you any party to the discussion with Mr. Pattison whereby \$80,000 was fixed as the amount to pay? A.—No sir, that is personally you mean?

Q.—I mean you personally: do you know what amount was at first asked by Mr. Pattison? A.—I was told, I can only speak from hearsay, I was told it was in excess of that.

Q.—How much? A.—Something about \$100,000 or \$110,000; I think it was in the neighborhood of \$100,000. I think that was it.

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Q.—\$110,000 you mentioned? A.—I will correct myself there, I won't say \$110,000, it was in the neighborhood of \$100,000.

Q.—Were you told how that money was to be divided between Mr. Pattison and Mr. Firstbrook or do you know it was to be divided at all? A.—I certainly know nothing about that, I never asked them, it did not concern me.

Q.—Was the transaction as to that sum of money carried on entirely through Mr. Pattison as far as you know or was Mr. Firstbrook a party to it? A.—I have never learned he was a party to it, I have never learned whether Mr. Firstbrook was with Mr. Pattison or not, I don't know.

Q.—Do you know what was offered when the \$100,000 was asked? A.—I am not clear on that, no, I do not from memory, I cannot say.

Q.—Just give it a little thought, let us know the margin that was between the two parties at first? A.—There was a figure of some \$90,000 asked and Mr. Pattison was considering, I was told he considered \$90,000 very, very low, and the least he would take, and eventually it was agreed otherwise at \$80,000.

Q.—You have not told me what the bid was? A.—I cannot say there was a bid, I did not say there was a bid.

Q.—You cannot say what the bid was? A.—No.

MR. McLAUGHLIN: Cannot say there was a bid.

MR. TILLEY: I suppose there would be some counter-offer to the \$100,000, that is all? A.—I do not know what that was to be frank with you.

Q.—What part of the transaction was arranged first, the transaction between the companies, and then the whole matter waiting until the officers of the Home Life were satisfied, or were the Home Life Officers dealt with first and the Company's transaction put through afterwards? A.—The transactions were put through after the elections of two officers.

Q.—What transaction, the agreement between the companies? A.—Yes.

Q.—So that the arrangement with Mr. Pattison was made quite independently of the agreement for the re-insuring? A.—Yes.

Q.—And the \$80,000 having been paid to him and the stock he held having been purchased and transferred then the re-insuring agreement was put through? A.—They all went through at the same time.

Home Life. (J. K. McCutcheon, Ex'd.)

Q.—The re-insuring agreement was ratified and approved by the new directors rather than by Mr. Pattison and his Board? A.—I do not know what he did with his Board prior, but they no doubt knew of it.

Q.—Did any director other than Mr. Pattison receive any special treatment? A.—In what way do you mean?

Q.—Put it in any way you like? A.—I know of none.

Q.—Do you know of any director of either company, I suppose that would apply practically only to the Home Life, who held out before sending in his resignation and transferred his stock until some transaction was carried through that he wanted to see put through? A.—I don't know.

Q.—There was no person that had to be satisfied that you know of except Mr. Pattison? A.—No.

MR. McLAUGHLIN: And Mr. Firstbrook? A.—That is to be understood.

MR. TILLEY: Q.—The minutes of the Home Life meeting are given at page 299 of the minute book (Copy of the material part of the minutes to be filed as Exhibit 431. (Reads from minutes, page 299): "The Manager reported that after consulting the actuary of this company," etc. (Reads down to the words "resolution was carried unanimously"). The persons present at that meeting were Mr. R. A. Wood; Dr. Wm. Briggs, John Firstbrook, A. J. Pattison, Mr. John King, Dr. King, J. W. Curry, K.C., and Mr. F. Diver. That meeting being on October 11th, 1905, a quarterly meeting of the directors. It adjourned until four o'clock in the afternoon, and in the afternoon there were present Dr. Wm. Briggs, Mr. John S. King, John Firstbrook, F. Diver, R. A. Woods, A. J. Pattison, J. W. Curry and John S. King, and the minutes of the meeting of the 11th in the morning were read, and on motion seconded and confirmed. Then the meeting adjourned until 2 o'clock the following day; and on the 12th the same directors being present, the meeting adjourned until four o'clock in the afternoon without any reason being given, and then at four o'clock in the afternoon the same directors being again present, the minutes of the meeting of October 12th, 1905, were read and on motion adopted, and then the Manager read a letter from Mr. John Firstbrook tendering his resignation as President and Chairman of the Executive Committee and Director. The resignation



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is attached, and on motion by Mr. King, seconded by Mr. Curry the resignation was accepted unanimously. Then Hon. Mr. Stratton extended, in a brief speech the thanks of the Association to the retiring President, which were suitably acknowledged by Mr. Firstbrook. I suppose that was the first resignation in the carrying out of the transaction? A.—Yes.

Q.—That would be after the \$80,000 had been paid? A.—Yes.

MR. McLAUGHLIN: The dates will show.

MR. TILLEY: Have you the cheque here for the payment?

Q.—Was that \$80,000 paid by cheque? A.—Yes.

Q.—By whose cheque? A.—I am not clear, the cheque will show that.

Q.—Then Hon. J. R. Stratton was appointed President in Mr. Firstbrook's place, and then follows Mr. John S. King's resignation and that was accepted, on motion of Mr. Curry, seconded by Mr. Diver. Then on motion of Mr. Curry, seconded by Mr. J. S. King, Mr. D. W. Karn was appointed director in place of Mr. J. S. King resigning. Then Mr. Diver resigned, and Mr. Warren was appointed on motion of Mr. Curry, seconded by Mr. J. S. King. Then Mr. Thomas Elliott resigned and Mr. C. Kleopfer was appointed a director in his place. Then Mr. Depew resigned and Mr. McCutcheon was appointed a director in his place on motion of Mr. Curry, seconded by Mr. Briggs. Then Mr. Wood resigned and J. W. Lyon was appointed a director in his place. Then Mr. A. J. Pattison resigned and Mr. J. L. Hughes was appointed a director in his place. Then J. S. King resigned and he was appointed a director in his own place—he was re-appointed practically? A.—Yes.

Q.—It was understood that he was to go on the Board again, was it, understood with him at any rate, probably not with the others—is that right? A.—Yes.

Q.—And then Dr. Briggs resigned and he was re-appointed, so that it was understood when he resigned he would be re-appointed? A.—I cannot say it was understood.

Q.—There was not much time between the resignation and the re-appointment to get it understood, was there? A.—He was quite satisfied.

Q.—It was understood with him? A.—It was quite reasonable to expect that.

Home Life. (J. K. McCutcheon, Ex'd.)

Q.—Mr. James W. Curry resigned and he was re-elected a director, and then Mr. J. S. King was elected Vice-President of the Company. On motion of Mr. Kleopfer, seconded by Mr. King, clause C of by-law 5 was repealed and the following substituted: "There shall be a Committee called the Executive Committee consisting of the President and seven other members of the Board to be elected by the Board from time to time, and four members shall constitute a quorum." Then it was moved by Mr. King, seconded by Mr. Curry. Thanks to Mr. Pattison for services and copy to be forwarded. Then Mr. Warren was appointed Secretary pro tem. Then the meeting was adjourned until 2.30. on Friday afternoon the 13th instant, and then there is this resolution: "Moved by Mr. King, seconded by Mr. Curry: That Mr. J. K. McCutcheon be Manager of the Association at a salary of \$5,000 per annum and a commission of 5 per cent. on the annual premium income," etc. (Reads resolution ending with the words "intent and meaning of this resolution.") I suppose that was passed at the first meeting—it is here after the adjournment—was that passed on the 13th or on the 12th? A.—I think it is the 13th, I am not sure.

Q.—That would be the morning of the 13th?

MR. McLAUGHLIN: I think so.

MR. TILLEY: Did that process of resigning and appointing new directors or re-appointing old ones exhaust all the directorate of the Home Life? A.—The former directors?

Q.—Yes? A.—You mean were they all re-elected?

Q.—Were they all re-elected or some person else put in by substitution?

MR. McLAUGHLIN: Yes, that covers it.

MR. TILLEY: Every director of the Home Life resigned? A.—Yes.

Q.—He was re-appointed in a few cases, but they all resigned? A.—Yes.

Q.—There was no director who was passed over in that regard? A.—No.

Q.—As to the terms on which their resignation were obtained you speak I suppose? A.—I cannot speak.

Q.—You had nothing to do with that? A.—Nothing whatever.

Q.—You do not know whether any part of the \$80,000 was divided? A.—I cannot answer that, I don't know.

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Q.—With these persons who were willing to give up their positions? A.—I cannot answer that, I do not know, it never came to my knowledge if there was.

Q.—You would be careful that that would not come to your knowledge? A.—I do not know that I would feel interested one way or the other.

Q.—You would not ask any questions even if you were interested? A.—It did not concern me, I would consider it a very personal question to ask any man.

Q.—You did not ask any question any way? A.—No.

Q.—The minutes are extended; it is not intended that you shall as the result of that 5 per cent. on the annual premiums that are provided for in your contract, get any benefit from that at all? A.—No, not one dollar, in fact I am in a worse condition by that contract individually than I was with the People's Life

Q.—That is not as favorable to you as your original contract was? A.—No, but I hope and have every reason to believe it will be better in the future.

Q.—That this contract may be improved? A.—If I am spared, yes.

Q.—Did the directors of the Home Life when you were at the meeting understand and appreciate that that 5 per cent. was added on to your contract in order to provide the fund of \$80,000? A.—I do not understand that.

Q.—Here is the resolution whereby you are to have a contract entitling you to \$5,000 a year and 5 per cent. of the annual premiums up to \$11,100 each year. I want to know did the directors who were at that meeting understand the reason for the adding of the 5 per cent. on the premiums? A.—I should certainly say yes.

Q.—All the directors present knew that? A.—I would certainly say they did.

Q.—Mr. McLaughlin says that he understands that the knowledge possessed by the directors was that you were getting no part of that but that that was the money that was being paid to Mr. Pattison to obtain his release of his contract? A.—Yes.

Q.—Why not leave Mr. Pattison with his old contracts and let them run on? A.—I consider the company to-day by the amalgamated business is in a better position, I consider the contract to-day is not as hard on the company.

Q.—You consider that \$80,000 is not as hard on the company? A.—No.

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Q.—Mr. Pattison is freed at the same time of giving his personal attention to it? A.—Yes.

Q.—And the same way with Mr. Firstbrook? A.—Yes, and the company are in a better position to-day with that contract.

Q.—The five per cent. is payable to you or your successors or assigns, and when it refers to successor it means successor in the office of manager? A.—I would say so.

Q.—And the way of carrying that transaction through would be not to appoint any person manager who would not dispense that five per cent. properly, I suppose? A.—That would be natural, I suppose.

Q.—Mr. McCutcheon, the personnel of the Board of Directors having been made right in that way you proceeded to pass the agreement for re-insurance? A.—The minutes would show that.

Q.—Quite so; you mentioned this afternoon that you were responsible for the \$80,000 but the advance of that money was obtained through Mr. Stratton? A.—Yes.

Q.—Are you responsible for it under any document? A.—Yes, I have assigned my commission you see to make that good.

Q.—To whom have you assigned that? A.—Mr. Stratton.

Q.—And has Mr. Stratton the document? A.—I should judge so, I am responsible to him I know by an agreement.

Q.—And is there anything in the agreement whereby you are released if you cease to be manager? A.—No, I am not clear on that, I do not think there is though.

MR. McLAUGHLIN: The Secretary says just a promissory note.

MR. TILLEY: You had better get the document.

Q.—The agreement between the People's Life and the Home Life was sanctioned as appears at page 324 at a meeting held on the 13th October at 2.30 p.m., being on the same day that the other transactions had taken place? A.—It appears so by that.

Q.—And that agreement is a copy of the one that has been made an Exhibit here? A.—Yes.

Q.—What other transaction have you been a party to where insurance has been re-insured in a lump way such as this? A.—Take the Sun Life in its early history, take the Citizens' Fire & Life Insurance Co., the business of the Citizens' was taken over by the Sun Life.

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Q.—On what basis was it taken over? A.—I think if I remember rightly it was one premium and a bonus of ten per cent.

Q.—That is one hundred per cent. of the premium and bonus of ten per cent.? A.—Yes. That is some years ago, business was much easier to obtain than to-day.

Q.—What do you say is a fair price to pay? A.—For new business?

Q.—For the re-insurance of old business? A.—I would consider from 100 to 125 a very reasonable price.

Q.—100 to 125 per cent. of the premium? A.—Yes.

Q.—The premium income, that would be of course where the reserve on the policy is transferred to the re-insuring company? A.—Yes.

Q.—What is the average premium on a policy? A.—It would depend on the agent who was writing it. The average would run I would say from \$32 to \$35.

Q.—Would you say about \$35 to \$37 or \$38 would be a fair price to pay for re-insuring? A.—Yes, I would say one premium would be very reasonable.

Q.—\$35; we find that the Continental paid the Farmers' and Traders' about \$36? A.—Yes.

Q.—I notice that in the minutes of the Home Life that the Home Life offered to re-insure the same company's business at \$15 a thousand, so that \$36 seems to be the price as the evidence indicated in the Continental? A.—A lot would depend on the class of business.

Q.—It was proven here very conclusively that that was very good business, because the Continental Life Manager spoke of it as improving their business a great deal? A.—I would not doubt that, but whether it would be 20 payment or limited payment, or endowment. You take the endowment policy a man may survive the period and the company would do better on that class of policy than they would on an ordinary life.

Q.—Do you agree that about \$35 is a fair price to pay? A.—Yes, or one premium.

Q.—Let us ascertain what the Home Life paid to the People's Life for its business; have you figured that out? A.—Yes.

JUDGE MACTAVISH: What was paid according to the computation? A.—Equal to one year's premium, or in other words one hundred per cent., that is one premium.

MR. TILLEY: That would be you say about \$35? A.—Yes.

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Q.—In the first place the policies were all to be valued for the purpose of reserve on the basis of the Hm. table and four and a half per cent. down to the 31st December, 1903? A.—Yes.

Q.—And on the Hm. table and three and a half per cent. from the 31st December, 1903, to 31st August, 1905? A.—Yes.

Q.—In the first place why was the 31st August, 1905, fixed as the date from which the Home took over the People's business? A.—You had to make it up to a certain date; you had to agree on some date to fix the reserves.

Q.—Was the transaction standing waiting for conclusion from August 31st down to the date on which it was finally put through? A.—Yes, in anticipation of completion.

Q.—So that the transaction was practically ready to be completed for some two or three months—why was it delayed? A.—I cannot answer that, I do not know.

Q.—Was the date August 31st not fixed sometime before that as the time from which you would take it over? A.—No, in making up my values and that like I had to do it to a certain date.

Q.—You would have to decide on a certain date, I would like to know how long that transaction was standing waiting for completion? A.—I cannot answer.

MR. McLAUGHLIN: The actuaries had done their figuring up to that date when the negotiations commenced.

MR. TILLEY: Why was the distinction made in the valuation for reserve before and after the 31st December, 1903? A.—The government requirement there.

Q.—That is the Ontario Government required a higher reserve to be kept, lowered the rate of interest? A.—Yes.

Q.—So that you were valuing your policies on the basis provided by the Ontario Government standard? A.—Yes.

Q.—The amount of that reserve was fixed at \$214,453? A.—Yes.

Q.—As of the 31st August, 1905? A.—The memorandum will show that, but I think that is correct.

Q.—And the agreement expressly stipulated that in no case should the People's be bound to pay a sum exceeding that \$214,453, is that right? A.—Yes.

Q.—Why was that clause inserted that the People's should not be bound



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to pay more than that if the reserve turned out to be more than that? A.—The two actuaries agreed on that.

Q.—If the two actuaries made a mistake why should not the People's pay the full reserve—if the amount was less than that that decision of the actuaries would not help the Home Life, would it? A.—I cannot say it would.

Q.—That amount was accepted? A.—By both companies. It would leave the question an open one that you could open any day if you did not agree on an amount; the two actuaries agreeing on that fixed it at that amount.

Q.—“The People's shall be entitled to deduct from the amount payable to the re-insuring company, etc. (Reads agreement to the words “the last named sum being the amount admitted by the parties hereto as total annual premium income of the People's”—was that the total annual premium income of the People's? A.—As shown by the report, yes.

Q.—What was the annual premium income of the People's on the 31st December of that year? A.—The year before.

Q.—No, I mean December 31st? A.—It would not be kept separate then.

Q.—They were not kept separate at the end of the 31st December? A.—Not after the Home Life had taken over the liability for re-insurance.

Q.—Here is a telegram you sent to the Superintendent of Insurance in March, 1906; “People's policies, 1547; insurance, \$1,763,497, re-insurance, \$11,000; “what does that mean—does not that show that the amount of the People's policies, the number of the policies outstanding 31st December when your statement was made up? A.—Yes; that is amount of insurance in force.

Q.—You kept the insurance in force separately? A.—Yes.

Q.—But the premiums were not kept separately? A.—No.

Q.—Let us see how the insurance in force compares; what was the amount of insurance in force on August 31st 1905? A.—\$2,672,000 in round figures.

Q.—According to this telegram the insurance in force at the end of the year was only \$1,763,000, that is to say it had shrunk about a million dollars between August 31st and December 31st—

MR. McLAUGHLIN: About \$900,000? A.—When we came to make

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out the reserves on those policies I found they had not been written off fully as they had lapsed from time to time, but in doing that the reserve was maintained on them, therefore, the gain to the company was a little greater than the loss, the reserve being maintained on them; but in going in I said, “here I want nothing that is not clean and above board; if there is a policy lapsed here I want it written off right up to date, and it took time to get at it. We were sincere in making that report; we put it in just what it was. The four months I had time to report it did not come before me to do that.

Q.—You were professing to transfer insurance to the amount of \$2,672,000? A.—That is what it would show.

Q.—You transferred at the end of the year \$1,760,000? A.—Yes.

Q.—There is no doubt about those two amounts, is there? A.—That is practically correct.

Q.—The \$900,000 of insurance disappeared between August 31st and December 31st, 1905? A.—Yes.

Q.—Within four months? A.—Yes.

Q.—Do you say that that amount of insurance was caused by policies that had lapsed and had not been written off? A.—Not been written off; some naturally would lapse as well.

Q.—But for how long a period had these policies been lapsing and not written off? A.—I should say a period of six months or more.

Q.—Six months prior to what date? A.—Prior to the 31st August.

Q.—Had they all lapsed in the year 1905, one-third of the basis? A.—Approximately so; there may have been a few.

A.—There may have been a few, Supposing a policy was carried by a note for a short time, and it was not retired, and that policy lapsed, while the note is in existence the policy is in force.

Q.—Do you say that is the normal condition of the People's Life business in 1905, or is that the result of writing off a lot of policies that had lapsed in previous years? A.—Many in previous years.

Q.—You did not put it that way a moment ago.

MR. McLAUGHLIN: The Secretary had given him information.

MR. TILLEY: The Secretary had better give it himself and not let him make mistakes.

MR. KIRBY: If I am at liberty to do that.

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MR. TILLEY: Certainly. What do you say about that, Mr. Kirby?

MR. KIRBY: The trouble was that neither Mr. McCutcheon or myself had been with the People's Life sufficiently long to familiarize ourselves with the conditions of those policies. We took hold of it and made out these statements, or had the clerks make them out, and they made them up as the policy cards stood. We were not aware that policies had been carried along that had lapsed and should have been cancelled until we came to make out the reserves in the Home Life at the end of the year. Then we had discussion, and it was brought before the Directors, and we came to the conclusion of course that the proper way to do was to clean it out, no matter what happened. It made a bad showing apparently there. It made an abnormal lapse on that business.

Q.—But the abnormal lapse did not show until after the transfer was made?

MR. KIRBY: No.

Q.—You have the re-insurance, and the agreement was carried through, and then the insurance transferable shrank by one-third.

MR. KIRBY: Yes, but the figures were made up absolutely in good faith.

Q.—They may have been made up in good faith, but the contract was clearly drawn to protect the matter from being re-opened later, was it not?

MR. KIRBY: Yes.

Q.—So that some person seemed to have been suspicious that there might be a mistake found later on?

MR. KIRBY: Well no, I do not know that that would be reasonable, but going into that a little further, on that business that was cancelled, that \$942,000, the Home Life got credit for released reserves amounting to \$52,576, which was included in the \$214,000 paid over. That was an addition of \$52,000, and against that, in that item of premiums taken over, outstanding premiums, there was \$32,000 of those written off, representing a net advantage to the Home Life of \$21,130, so that if that \$20,000 was deducted from the \$97,000, it would bring down the real cost of that business to \$77,000 to the company.

Q.—Let me figure up the cost in my way—

MR. McLAUGHLIN: Your way may not be the right way, and we cannot permit that if it is not.

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MR. TILLEY: Q.—I do not suppose the \$80,000 stands out prominently in the way you have computed it.

MR. KIRBY: The Home Life has nothing to do with the \$80,000.

Q.—Except to pay it?

MR. KIRBY: Well, the payments to Mr. McCutcheon of that commission.

Q.—Of 5 per cent. on the annual premium income for ten years, to amount to \$11,100 a year.

MR. McLAUGHLIN: That was not a payment of the People's Life. It was a payment of Patterson & Firstbrook.

MR. TILLEY: Q.—That was a payment made by the Home Life in order to carry through the re-insurance agreements, Mr. McCutcheon?

A.—It was a payment made to me.

Q.—And paid by you to the Home Life? A.—Yes.

Q.—50 per cent. of the premium income that was provided for by the agreement amounted to \$48,942? A.—That is right.

Q.—That was paid by the Home Life to the People's Life was it not? A.—Yes.

Q.—By cheque? A.—Yes.

Q.—Where did the Home Life get the funds with which to pay that?

MR. KIRBY: I will be able to answer that. The cheque was issued by the Home Life to the People's Life for that \$48,000. The Home Life gave the People's Life their cheque for that \$48,000 commission. The People's Life immediately gave their cheque for a similar amount, and took in exchange capital stock of the Home Life Association, 50 per cent. paid up. It was a matter of bookkeeping putting it through in that way. The stock might have been given instead of the cheques.

Q.—These are the cheques you are referring to are they?

MR. KIRBY: Yes.

Q.—Two cheques dated 20th October, 1905, both of which passed through the Traders' Bank on December 20th, 1905, one being to the People's Life for \$48,941.91, signed by J. R. Stratton, President, and J. K. McCutcheon, Managing Director. That would be a Home Life cheque.

MR. KIRBY: That would be Home Life cheque.

Q.—And paid the People's to cover 50 per cent. of the premium?

MR. KIRBY: Yes.

Q.—And on the same day J. R. Stratton, President, and Mr. McCut-

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cheon, General Manager of the People's, give a cheque to the Home Life for \$49,000 in payment of \$98,000 of Home Life stock, which is half paid? A.—Yes sir.

Q.—50 per cent. paid? A.—Yes.

Q.—That is to say the transaction amounted to this in reality, that the payment of 50 cents on the dollar of the premiums should be made in capital stock of the Home Life instead of being made in cash.

MR. KIRBY: Instead of burdening the Home Life with a cash payment of that. The stock was unsubscribed.

Q.—Was that stock that was standing in your name in trust, Mr. McCutcheon? A.—No, it was unsubscribed stock.

Q.—Then the \$98,000 of stock of the Home Life half paid was transferred to the People's, and does it remain with the People's now? A.—Yes.

Q.—As an asset of the People's Life Assurance Company? A.—Yes.

MR. McLAUGHLIN: They are debenture holders and they are practically gone out of business.

MR. TILLEY: Q.—Besides the payment of the \$48,942 the Home Life had to take over two or three items of agents' advances and outstanding and deferred premiums; that is provided in paragraph 6 that the People's shall be entitled to deduct from the net present value of policies not to exceed \$215,443, and interest as aforesaid, the amount of outstanding and deferred premiums as at the 31st August, \$49,100.66; advances to agents \$15,763.12, less 10 per cent. cost of collection. What have you to say as to the ability of the company to collect the item, advances to agents? A.—Well, sometimes it is difficult. There is considerable of it collected, and it is not always a very easy asset to collect in full, but by looking after it carefully, and proper management there is very little loss on it. You see they are secured by bonds. Agents' advances are secured by bonds.

Q.—Was that the condition of the People's Life? A.—In many instances. Not in all instances, but in many.

Q.—Was that the condition in which you found matters when you looked into the agency part of the matter? A.—To some extent it was so, and to a great extent there were some agents had not bonds.

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Q.—Did you not find that part of the People's Life business in the very worst possible condition? A.—Well, I won't say the worst possible condition.

Q.—Probably that would be going too far? A.—Yes, it certainly required attention.

Q.—It was in very bad shape? A.—In some parts of the Dominion east of Ontario it was in bad shape.

Q.—What would you have paid for that item yourself personally and taken it over? A.—That is a very hard question to answer.

Q.—You ought to know better than anyone else what it would be fairly worth? A.—What I would consider it worth?

Q.—Yes? A.—Well, I would say that 75 or 80 cents on the dollar might be realized on it.

Q.—And if the result was not quite so favorable, a little more disappointing, how low might it go? A.—It might go to 50.

Q.—It might go lower? A.—I would say 50 would be a very reasonable amount to put it at.

Q.—50 cents on the dollar would be a very reasonable amount to put it at? A.—Yes.

Q.—Have you been able to collect any of that item? A.—Yes sir.

Q.—Do you know to what extent? A.—I cannot just answer offhand.

Q.—Can you tell us from the books, Mr. Kirby?

MR. KIRBY: We have not collected a very great deal of it.

Q.—Tell me how much approximately?

MR. KIRBY: Oh there might be \$300 or \$400 collected so far.

Q.—From October last year, that is as at August 31st last year?

MR. KIRBY: Yes.

Q.—Until the present time?

MR. KIRBY: Yes.

Q.—Is that kept in one account?

MR. KIRBY: Agents' advances?

Q.—I mean People's Life Agents' Advances, this item of \$15,000?

MR. KIRBY: It is in a separate account.

Q.—Would you let me see it?

MR. KIRBY: I will send for it.

Q.—You say possibly \$300 or \$400 has been collected on that since that time?

MR. KIRBY: Yes.

Q.—What do you say as to the possibility of collecting 50 cents on the dollar of that item?

MR. KIRBY: As Mr. McCutcheon put it it is a very hard matter to tell



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how much you can collect. Sometimes it is not advisable to force the collection of it.

Q.—What were you regarding that item as worth? What would you treat it as being worth, if you wanted your balance sheet to show properly what your assets were?

MR. KIRBY: Well the way I look at that kind of item in an insurance account is that it is part and parcel of the cost of the business, and we are entitled to distribute any loss on it over a certain number of years.

Q.—How long had you been distributing the loss on that item in the People's?

MR. KIRBY: This item we had no opportunity, except at the end of last year to deal with. Our idea is to take say 5 or 6 years and gradually wipe it out.

Q.—It will be wiped off by being written off?

MR. KIRBY: Well, perhaps it will. It all depends how our efforts succeed in collecting some we have in suit now.

Q.—Don't you expect it will be written off to the extent of 75 to 85 or 90 per cent?

MR. KIRBY: No, not as much as that.

Q.—How much?

MR. KIRBY: Oh probably 50 per cent. would cover it.

Q.—Fifty per cent. would be written off and the balance collected?

MR. KIRBY: Yes.

Q.—You think you will collect 50 per cent. of that item?

MR. KIRBY: Yes. There are some large amounts for which we have security now which altogether likely will be paid.

Q.—There would be considerable cost of collection.

MR. KIRBY: Oh of course there would be naturally.

Q.—I suppose the 10 per cent. for collection should come off that 50 again?

MR. KIRBY: Well, as a matter of fact the 10 per cent. is taken off here.

Q.—Ten per cent. off the 100, putting it in at 90?

MR. KIRBY: Yes.

Q.—It should not be put in for over 40 should it?

MR. KIRBY: Oh, I think under the circumstances it is a perfectly legitimate amount.

Q.—Many companies do not treat it as an asset at all.

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MR. KIRBY: I do not know of any Canadian companies that do not treat it as an asset.

Q.—You do not know of any Canadian companies that do not treat some part of it as not an asset?

MR. KIRBY: No. Many of the American companies treat it as an asset in their own statement, but it is not treated as an asset in the Government return.

Q.—It is such a doubtful item?

MR. KIRBY: Yes.

Q.—Then the item of outstanding and deferred premiums, \$49,100.66—what is that item worth?

MR. KIRBY: It is worth 100 cents on the dollar.

WITNESS: Oh that is perfectly good.

MR. KIRBY: Of course \$32,000 of that is accounted for in those lapses at the end of the year on which there was a profit to the extent of \$20,000.

Q.—And then the office furniture was not an item that you had taken into your account at all?

MR. KIRBY: In the People's Life?

Q.—Yes.

MR. KIRBY: Oh yes, that is in the admitted assets.

Q.—But you had not taken it in the People's Life statement. You did not carry it out? A.—Yes. Well the Government do not carry it out. The Government put it in and do not carry it out in their total figures. That is the Ontario Government. It is an asset that is admitted by the Dominion Government.

Q.—Then besides those items you also paid a commission of 7½ per cent. or a fixed sum of \$6,350 for the ten years following.

MR. KIRBY: That is the balance of making up the one premium, purchase price.

Q.—Which way are you treating it? Are you taking the 7½ per cent. or the \$6,350?

MR. KIRBY: We are allowing each year to bear its own burden for the ten years.

Q.—That results in what then?

MR. KIRBY: About \$6,000 odd each year. The commuted value of that would really be the \$49,000.

Q.—You think the commuted value of that would be \$49,000?

MR. KIRBY: Yes.

Q.—That was the intention at any rate? A.—That was the intention.

Q.—The intention was to make it 50 per cent. capital stock of the Home Life and the other 50 cents on the

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dollar on the deferred premiums extending over years?

MR. KIRBY: Yes.

Q.—In addition to that you take the items of outstanding premiums and the agents' advances, and if the ten policies of \$11,100 are also included as being paid by the Home Life, it makes it a good deal more than 100 per cent. of the annual premium? A.—Yes, it would make more.

Q.—If the insurance in force shrank from over \$2,000,000 to \$1,700,000, I suppose there would be a corresponding shrinkage in the amount of the premiums? A.—Yes. We would not calculate on that. We would calculate on the increased business each year naturally.

Q.—Who computed the lump sum payable as reserve on the policies?

MR. KIRBY: It was computed by the consulting actuary of the People's Life, Mr. Hughes, and it was also computed by the actuary at the time of the Home Life, Mr. Fitzgerald, and they agreed on the amount.

Q.—Is either one of those gentlemen here?

MR. KIRBY: No. Mr. Hughes I believe is in Canton, China, or Hong Kong, I am not sure which. Mr. Fitzgerald is in the eastern States somewhere, with some company there.

Q.—Fitzgerald is in the Eastern States and Mr. Hughes in China?

MR. KIRBY: Yes.

Q.—You do not know where Fitzgerald is?

MR. KIRBY: I think I could find out.

MR. McLAUGHLIN: I should like to have the point made that for every policy for which they paid one year's premium they received from the People's Life the reserve on that, and it was a profit to the Home Life. The point about paying the one year's premium for the business, while the Home Life paid to the People's Life one year's premium on each policy the People's Life paid to the Home Life the legal reserve on that policy, so if for some reason that policy was non-existent, while the Home Life would lose that premium that it paid to the People's Life, the People's Life would lose the reserve that it had handed over, and what the Secretary has said is that the one over-balances the other, so that the lapses and the fact of the business being \$900,000 less, they had paid one year's premium on \$900,000 to the People's, but the People's had paid to them the Government reserve on the \$900,000,

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and instead of being a loss to the Home Life it was a profit to nearly the extent of \$20,000, and reduced the amount they had paid for the re-insurance. I hope I have made it clear.

MR. KENT: But there are certain fixed charges the Home Life bound itself to pay which are not affected by the quality of assets transferred?

MR. McLAUGHLIN: What fixed charges?

MR. KENT: There are certain considerations besides the reserve.

MR. McLAUGHLIN: The consideration the Home Life was paying was one year's premium; half of that was paid in cash and the other in ten instalments. The other matter about the Pattison-Firstbrook contract being changed into the McCutcheon contract, that is a negotiation that had to be done.

MR. TILLEY: Q.—Then under the agreement it was not the intention to transfer the reserve on the policies from the People's to the Home Life at once, was it? A.—Yes, I should say it has gone over.

Q.—That is not the way the agreement was drawn?

MR. KIRBY: The actual wording was that way.

Q.—What way?

MR. KIRBY: It was that as the policies were written on Home Life policies that the reserve would be transferred. That was I suppose to protect the People's Life in case any of the policyholders did not accept the transfer. As a matter of fact the whole of the reserve in cash and those securities and so on were handed over to the Home Life before the end of the year, at the time the transfer took place in other words; so that the Home Life at the present time hold the whole of that reserve.

Q.—Whether it was the intention to transfer it at once or not, the transaction was carried through by the transfer of the reserve at the time of the contract, or soon after, at any rate before the policies had been re-written?

MR. KIRBY: Yes.

Q.—Did the Home Life commence to re-write the policies of the People's Life? A.—Yes.

Q.—Is there any effort being made to get rid of all the People's Life policies? A.—Yes.

Q.—And can you say to what extent that has been accomplished now? A.—I should say at least 20 per cent.

Q.—About 20 per cent. of the policies have been re-written? A.—Yes.

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Q.—At the end of the year 1905 had the transaction been completed? A.—The full transaction?

Q.—Yes? A.—Yes.

Q.—The whole transaction had been completed? A.—Yes.

Q.—Had the reserve been transferred? A.—Yes.

Q.—What are these cheques Mr. McCutcheon, both dated the 30th December, 1905, to the Home Life Association of Canada, one for \$9,701.83, and the other for \$15,064.11?

MR. KIRBY: That was the balance of \$24,000 odd that had to be paid in cash over the security, the bonds and debentures and so on that had been handed over to make the reserve.

MR. LANGMUIR: That was the final adjustment.

MR. KIRBY: Well, it was not completed until the end of December.

MR. TILLEY: I will put in a copy of that account, Exhibit 432, showing the amount of the reserve as per agreement, the credits on special contracts—what does that mean?

MR. KIRBY: That was an account on some policies that had an allowance and the special contracts—a yearly allowance on them, and those were the credits that were at the credit of those policyholders, and which, of course, the Home Life would have to become responsible for in the transfer.

Q.—The credit being transferred to the Home Life?

MR. KIRBY: Yes.

Q.—And then you set out the outstanding premiums, deferred premiums, agents' advances, deduct 10 per cent. office furniture, loans on policies, liens on policies—

MR. KIRBY: That is the same as a loan. There are only a few of them, and part of the premium was treated as a lien each year.

Q.—You computed interest up to the 31st December, 1905, and then you take credit for the bond and Government deposit, the deposit in Manitoba, was it?

MR. KIRBY: Yes.

Q.—And some debentures at head office?

MR. KIRBY: Yes.

Q.—And transfer of those to company, leaving balance of \$24,765.94.

MR. KIRBY: Yes.

Q.—Now, Mr. McCutcheon, all the assets, including this balance according to that statement are transferred, according to your annual report prior to the 31st December, 1905, and in

Home Life. (J. K. McCutcheon, Ex'd.)

the hands of the Home Life Insurance Company? A.—Yes.

Q.—How is it that those cheques, although dated the 30th December in order to carry it out in that way, are not actually cashed until January 25th?

MR. KIRBY: They were treated as cash on hand in the drawer because of the making up of the figure, getting the thing finally completed at the end of the year.

Q.—They were written out December 31st?

MR. KIRBY: Yes.

Q.—And put into the drawer?

MR. KIRBY: Probably not that day—yes, yes, that is right, 30th December.

MR. KIRBY: Yes.

Q.—Written out the 30th December and put in the drawer?

MR. KIRBY: In the drawer of the Home Life.

Q.—And kept there as cash?

MR. KIRBY: Yes.

Q.—And why not cash?

MR. KIRBY: That is the only reason, in case there would be an alteration in the amount in completing our annual statement.

Q.—That is not a reason is it?

MR. KIRBY: There was no ulterior reason for leaving it there.

Q.—The transaction was not ready to be closed until January, and the cheques actually made out in January?

MR. KIRBY: I cannot recall from memory now just exactly.

Q.—Let us have the minute for January at about January 25th or 26th. Here is the cheque book stub for cheque No. 11,144. The cheques previous to that are dated January 18th and January 1st, and another one January 18th. Cheque No. 11,123, was issued on November 28th, and then the next stub that is filled out is January 1st, No. 11,128, and then there are four intervening cheques, and they are all here folded in with the stubs. Why was that done? They have not been filled out at all? A.—It may have been an oversight. They are mailed to me sometimes to sign.

Q.—Were not these four cheques left to make this very adjustment and to have the cheques in their proper place? A.—I cannot say.

Q.—Can you say that is not so? A.—I cannot say it is not so. I cannot say it is so.

Q.—Here are four cheques between the last cheque in December and the



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1st cheques in January, not used, and folded in with the stubs? A.—You see I did not write the cheques.

Q.—Who writes the cheques?

MR. KIRBY: They are both like my writing.

Q.—Both cheques of December, 1905 are in Mr. Kirby's writing?

MR. KIRBY: Yes.

Q.—And Kirby did not know the blank cheques were there. Kirby had not turned them in and left them there?

MR. KIRBY: I did not know.

Q.—And did not know they were there?

MR. KIRBY: Yes, I guess that was it. I did not know of any reason for turning them in. It is not often I write a cheque, but I suppose I wrote those because I had the statement in my hand. That is the only way I can account for it, that we had not got the adjustment until early in January.

Q.—Your first statement is incorrect; the cheques were not made out in December?

MR. KIRBY: They could not have been.

Q.—And were not in the hands of the Home Life as an asset at that time on the 31st December?

MR. KIRBY: It was a mere matter of making them out. They were treated as an asset.

Q.—It was very nice to treat it as an asset but they did not constitute an asset in the Home Life at that time?

MR. McLAUGHLIN: Not in the form of a cheque.

MR. KIRBY: Not in the form of a cheque, but they would be in the books.

Q.—As an amount owing from the People's Life?

MR. KIRBY: Yes.

Q.—Is that the way they were put in the annual statement?

MR. KIRBY: No.

Q.—They were in your annual statement as cash?

MR. KIRBY: Yes.

Q.—Not cash to be received?

MR. KIRBY: No.

Q.—Cash to be received would be a debt owing to the Home Life by the People's?

MR. KIRBY: This year in the change of the two companies the work was so great that it was away on the end of January before we got out our December statement, and everything could not be done at

Home Life. (J. K. McCutcheon, Ex'd.)

once, and it was left I suppose until we got the statement out finally.

Q.—And then the annual report for the Government was made out still at a later date?

MR. KIRBY: Yes.

Q.—And it was treated as having been paid on December 31st, although it was not paid until after the middle of January; that is right is it not?

MR. KIRBY: Yes.

WITNESS: They would appear perfectly honest.

MR. KENT: Q.—That is one of these cases which are called in the trade a fiction of book-keeping?

MR. KIRBY: Well, if it was carried out I suppose to the end, and the cheque never went through, it might be called that.

Q.—But until the cheque did go through, say for about 3 weeks, it was a fiction in book-keeping?

MR. McLAUGHLIN: It had not been entered in the books at all. The report was not sent to the Government until the cheque was actually received.

MR. KIRBY: We might have put it in I suppose to carry it absolutely correct as to language, "By cash to be received from the People's Life." It was owing and it was a matter of not closing it at the minute.

MR. KENT: It was a fiction in book-keeping up to a certain date.

MR. McLAUGHLIN: Yes, but what was important about it, there was nothing dishonest about it, because as a matter of fact the Government return had already gone in, and instead of putting it in to be received it was put in as cash.

MR. TILLEY: Tell me how the bank account of the People's Life stood on the 31st December. This is the People's Life book is it not showing in December, 1905, a balance of \$9,701.83. That is right is it not? A.—That would look so.

Q.—And one cheque is \$9,701.83; that covers the balance in that account? A.—Yes.

Q.—And the other cheque on the same bank for \$15,064.11. So that there was not sufficient money in the bank to pay those cheques? A.—Not according to that, but it may have been intended not to use that cheque for a day or two, although it was issued.

Q.—Was not the real reason that the money was not paid at the end of December that you had not the money to pay it with?

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MR. KIRBY: The money was raised by a loan of the People's Life.

Q.—How was that loan obtained?

MR. KIRBY: I do not remember just the date.

Q.—Prior to that the available funds that the People's Life had had been loaned to Mr. McCutcheon to carry through these purchases of stock, had it not? Is that not right? A.—I do not know as I ever thought of it in that way before, or noticed what the balance was, but we were not thinking of that. The People's Life had to make good that \$24,000 odd.

Q.—The People's Life had to finance the McCutcheon transaction and had to finance the re-insurance agreement as well?

MR. KIRBY: But Mr. McCutcheon's transaction was financed in October.

Q.—By the People's Life?

MR. KIRBY: Yes.

Q.—And the People's Life had not funds enough to carry through the rest of it until January when they made a loan?

MR. KIRBY: Well, it would appear so, certainly it would.

MR. TILLEY: I will put all the cheques together, Exhibit 433.

Q.—The cheque for \$15,064.11 is issued by the People's Insurance Company on the Dominion Permanent Loan Company? A.—Yes.

Q.—Not on the Trader's Bank? A.—No.

Q.—Is that represented by this item on January 26th? The amount of that cheque was placed to the credit of the Home Life Assurance Company was it?

MR. KIRBY: Yes.

Q.—On January 26th?

MR. KIRBY: Yes.

Q.—Was the loan by the Dominion Permanent to the Home Life or to the People's Life?

MR. KIRBY: To the People's Life, an overdraft.

Q.—The Dominion Permanent guaranteed a loan to the People's Life, and the People's Life issued a cheque which was deposited in the Dominion Permanent, but to the credit of the Home Life?

MR. KIRBY: Yes.

Q.—And that accounts for the credit item opening that account in the Dominion Permanent, the Home Life not having an account there before; is that right?

MR. KIRBY: This is that cheque deposited there.

Q.—That credit item is the depositing of this cheque?

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MR. KIRBY: To the credit of the Home Life.

Q.—And the cheque would be charged up to the People's Life?

MR. KIRBY: Exactly.

Q.—And the Dominion Permanent would make the loan to the People's Life in order to honor and make good that cheque?

MR. KIRBY: Yes.

The Commission then adjourned to 10.30 a.m. to-morrow.

# SIXTY-THIRD DAY.

Toronto, Friday, Sept. 7th, 1906.

## HOME LIFE ASSURANCE COMPANY.

JAMES K. McCUTCHEON, examination continued by

MR. TILLEY: Q.—Did you bring the agreement with you for the transfer of the payments to be made to you of 5 per cent. by the Home Life as security? A.—I have not it with me, but it will be here.

Q.—You have not it with you this morning? A.—No.

Q.—But you can get it? A.—Yes.

Q.—Have you reports of the persons who computed the reserve at the time of the amalgamation? A.—I believe so.

Q.—And these can be produced? A.—Yes.

Q.—That is written reports were made out by them showing the amount of the reserve as computed? A.—Yes sir.

Q.—Have you ever understood that the reserve was too low on the People's Life policy? A.—No, not by the requirements of the government.

Q.—That is to say that the company at the end of 1904, the 31st day of December of the preceding year, had all the reserve that was required? A.—I understand so.

Q.—When you say that do you speak of the reserve required by the Ontario Government or by the Dominion Government? A.—The 1904 business—

Q.—I am speaking now of the amount of reserve that the People's Life held with respect to its business either at the end of 1904 or at the time of the amalgamation? A.—Well, that would be the requirement of the Ontario Government. It was an Ontario Charter.

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Q.—Would the requirement of the Ontario Government at that time produce a higher or a lower reserve than the requirement of the Dominion Government? A.—It would be lower.

Q.—It would produce a lower reserve? A.—Yes.

Q.—The difference being caused by what? A.—By the Dominion Act calling for a higher reserve.

Q.—The Dominion Act specifying a lower rate of interest for the computation of the reserve? A.—Yes.

Q.—After 1900? A.—Yes.

Q.—When was the change made under the Ontario Act, Mr. Kirby?

MR. KIRBY: Do you mean the change in the mode of computing our own reserve, the People's Life reserve?

Q.—Yes.

MR. KIRBY: They were computed up to 1903, I think.

(The following questions were put to Mr. Kirby, and answered by Mr. Kirby, the witness McCutcheon still remaining on the stand):—

Q.—31st December? A.—Yes. At  $4\frac{1}{2}$  per cent., and business issued after that at  $3\frac{1}{2}$ , and that is the basis, if I remember right, that they were taken over on.

Q.—But the Dominion Government required  $3\frac{1}{2}$  per cent. for 1903, 1902, and 1901, did it not? A.—Yes, at the end of 1905 that was done.

Q.—At the end of 1905 that was done by the Home Life? A.—Yes.

Q.—That is to say the Home Life at the end of 1905 had to put up a larger reserve in respect of the People's Life business that it took, than the People's Life had kept? A.—They did in respect of those policies that would be in force during the years 1901-2 and 3.

Q.—Do you know what that would amount to? A.—I cannot say.

Q.—You cannot say what it would amount to? A.—No.

Q.—Can you ascertain that? A.—It could be done.

Q.—Could you do it by Tuesday morning? Would it be a short operation? A.—No, you would have to take each policy.

Q.—You mean you cannot do it without a valuation of every policy? A.—Yes, you have to make an estimate, and it would only be an estimate.

Q.—Let me ask you this, Mr. Kirby. Can you not say the amount of the premiums payable in respect of the \$1,700,000 of insurance that existed at the end of 1905? A.—In the neighborhood of \$67,000.

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(J. K. McCutcheon, Ex'd.)

Q.—Instead of —? A.—\$97,000.

Q.—That is to say the premiums were about \$30,000 a year less than what the agreement placed them at? A.—Yes, that is right.

Q.—There was \$30,000 a year shrinkage in the premiums? A.—Then of course they had the profit on the released reserve, \$20,000 to go against it.

Q.—But of course they were paying for the business on the basis of the annual premiums? A.—Yes, that was it.

Q.—And the annual premiums were one-third less than what was stipulated? A.—Unfortunately.

Q.—But no account was taken of that in the premium that was payable and was afterwards paid? A.—The payment was made according to the agreement as it stood.

Q.—That is to say the premiums were treated at \$97,000 regardless of whether they were sixty or ninety? A.—Yes.

Q.—And that was the agreement? A.—That was the agreement. The settlement was really made before we discovered the great discrepancy.

Q.—Do you make the statement that no person knew that there would be a shrinkage in that item? A.—Certainly nobody knew that there was such a large shrinkage.

Q.—You knew that there would be a shrinkage? A.—I knew there would be the ordinary lapse shrinkage.

Q.—And you knew that there was a large lapse that had not been written off? A.—I did not. I was only a month with the company before it was transferred.

Q.—Well, then you knew it very soon afterwards? A.—I knew when we got at it and started to make out our reserve.

Q.—When did you start to make out the reserve? A.—In November.

Q.—And if you had been in the company more than a month before you would have known it earlier? A.—I possibly would if I had made an investigation.

Q.—When you say a month before, when did you go into the company? A.—In the middle of July.

Q.—If you had been there from March you would have known it? A.—It all depends whether I made an investigation along those lines or not.

Q.—Does a condition of affairs exist like that very often where they have a third too much on the books, and treating the premiums as a third



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too high, without there being an undercurrent of feeling that that is the case in the office and even on the street? A.—A person in charge of the office for a sufficient length of time ought to know, the one responsible for that particular work.

MR. TILLEY: Then I will ask Mr. McCutcheon a few questions.

Examination of Mr. McCutcheon resumed:—

Q.—The assets of the People's Life were transferred to the Home Life? A.—Yes.

Q.—Was it not the idea that the transaction that was carried through would just involve practically a complete transfer of the assets of the People's into the Home Life? A.—It was understood that the assets of the People's Life would go over to the Home Life.

Q.—And that the only asset that the People's Life would have at the end of the time would be the paid-up stock or the half paid stock of the People's Life amounting to about \$49,000? A.—Yes, in that neighborhood.

MR. KIRBY: Pardon me, Mr. McCutcheon evidently does not understand the question as I understand it. The only assets that came over from the People's Life to the Home Life are the assets mentioned in the agreement. All other assets of whatever nature belong to the People's Life at the present time.

MR. TILLEY: Probably it would be convenient that Mr. Kirby should be sworn now, and if he knows more about it than Mr. McCutcheon, then he can state it.

JOHN B. KIRBY, sworn. Examined by MR. TILLEY:—

Q.—Now, Mr. Kirby, what were you saying about the condition of the People's Life after the transfer? In the first place did it transfer all its bonds, debentures and so on to the Home Life? A.—It did, yes.

Q.—Consisting of in the main certain debentures of the Dominion Permanent? A.—Yes sir.

Q.—Amounting to how much money? A.—Over \$100,000. I forget just the exact amount.

Q.—Other debentures were afterwards acquired, were they not? A.—There was one debenture acquired afterwards.

Q.—How much was it? A.—\$4,500.

Q.—Then all the cash was transferred? A.—Sufficient cash to make up the difference.

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Q.—Certainly sufficient cash, but it exhausted all the cash of the People's Life? A.—It did, yes sir.

Q.—And the People's Life had to borrow cash to pay the balance? A.—I believe they did.

Q.—Was this statement of assets and liabilities prepared by you or under your direction? A.—Yes, prepared by an accountant.

Q.—And that shows the condition of affairs, does it? A.—That statement is correct.

Q.—Of the 31st December? A.—Yes.

Q.—Exhibit 434 will be a statement of the assets and liabilities of the People's Life at the 31st December, 1905? A.—Yes.

Q.—Now on the assets you have, "Interest on bonds and debentures \$2,137.80?" A.—Yes.

Q.—What bonds and debentures would those be? A.—Well, they would be the accrued interest at the 31st December on all bonds and debentures.

Q.—What bonds and debentures had the People's Life left on the 31st December? A.—Was not that item handed over at the 31st December with that interest on it?

Q.—Well, you will have to tell me that. A.—The transfer of those securities was made at the 31st December, and they were charged interest at the rate of  $3\frac{1}{2}$  per cent. on 144,422 days—that would be from August. The interest on the bonds that they held at the date of that transfer they would be entitled to take credit for—the People's Life—because the transfer of the securities was made on the 31st December, and the agreement provided that it was to be paid on the date of the transfer.

Q.—Traders' Bank \$2. That was a small balance left in the Traders' Bank after the issue of that cheque of 31st December? A.—I think there was some little cheque outstanding against it, or something like that.

Q.—Home Life \$301.37. What does that item mean? A.—That is an item that arose in the adjustment of the figures afterwards.

Q.—Just in the carrying out of the agreement? A.—Yes.

Q.—Home Life stock—that would be the \$49,000 of stock that was bought at 50 cents on the dollar? A.—Yes, the proceeds of the first payment on account of the agreement.

Q.—Then the Home Life balance of commission. \$48,941.91—what is

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that item? A.—That is the commuted value of the commission during the ten years.

Q.—That is \$6,350 a year for the ten years? A.—Yes.

Q.—It is supposed to produce the equivalent of one-half of the— A.—Of the original purchase price.

Q.—Was that payment of \$6,350 for ten years assigned at that time? A.—Not at that time.

Q.—When was it assigned? A.—Well, without the minutes I could not just say.

Q.—To whom was it assigned? A.—It was assigned by the People's Life to the Dominion Permanent.

Q.—Why was it assigned to the Dominion Permanent? A.—Well, the agreement was that it was assigned in this way, that it would be used to reduce the bond indebtedness.

MR. McLAUGHLIN: Debentures.

WITNESS: The debentures. It was to be applied towards the reduction of the debentures that the Home Life held of the Dominion Permanent.

MR. TILLEY: Q.—But the Dominion Permanent held all the debentures of the People's Life? A.—That I could not say. They did not hold all. Well, it is not for the reduction of the People's Life debentures; you misunderstand me; the reduction of the Dominion Permanent debentures held by the Home Life, taken over.

Q.—You say that that sum of money is assigned to the Dominion Permanent by the People's Life? A.—Yes.

Q.—It is an asset of the People's Life? A.—Yes.

Q.—It is now transferred to Dominion Permanent? A.—Yes.

Q.—I want to know why it is transferred to the Dominion Permanent? A.—It was transferred with this idea; that the Dominion Permanent under the agreement would apply those payments towards the reduction of the Dominion Permanent bonds that the Home Life Association held as an asset.

Q.—It is under a written document? A.—It is under a written document.

Q.—Then why should an asset of the People's Life be transferred to the Dominion Permanent to pay off its own debentures? A.—I could not give you an answer just exactly why it was done.

Q.—Who did it? A.—The debentures of the People's Life are held of course—the balance of them—by

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Mr. Stratton, and the other Directors in trust, whatever that trust means.

Q.—You are passing away now from the Dominion Permanent debentures held by the Home Life which they obtained from the People's Life. You are going away from that now to the People's Life debentures held by Mr. Stratton and others in trust, are you not? Is that right? A.—Yes. Probably I do not just understand it properly. That agreement as near as I can remember was just as I stated, that that money had been used that way. These debentures came over as part of the People's Life reserve, and instead of paying the People's Life the commuted payment, or the payments each year, the company made an arrangement whereby the indebtedness under these debentures would be reduced by the People's Life. Then of course it would eventually come back to the People's Life I presume.

Q.—How? A.—That was a matter that was decided on by the People's Life Directors.

Q.—But you see the People's Life Directors are the Home Life Directors? A.—But there is no connection between the two companies. Each deal with their own matters.

Q.—There may be none in one point of view, but they are practically one company in another point of view, with the People's Life now controlling the Home Life. That is the state of affairs that exists to-day. What you say is this: that that payment of what was supposed to be 100 per cent. of the first premium—is that right? A.—Yes.

Q.—That payment, without regard to what the premiums were, or without regard to the fact that they were a third less than what was represented, that payment was divided by 2, half of it taken in the Home Life stock, which would save the Home Life paying out any money, at 50 cents paid up, and the other half was to be paid by the Home Life in ten payments of \$6,350 a year, and those payments were to come directly back to the Home Life by way of reduction of the Dominion Permanent debentures which it held; is that right? A.—Yes, that is right; that is the way I understood it.

Q.—So that the \$6,350.00 was to be issued, would be issued in the natural course, by the Home Life to the People's Life; the People's Life pay it to the Dominion Permanent, and

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the Dominion Permanent pay it back to the Home Life each year in order to reduce its debentures? A.—That would practically be the operation.

Q.—And then to save the routine, the People's Life make a transfer of those payments, \$6,350 for ten years to the Dominion Permanent Loan Company? A.—Yes.

Q.—That enables the Home Life to pay it direct to the Dominion Permanent, and the Dominion Permanent repay it on its debentures? A.—That is the operation.

Q.—Will you tell me by what right as you understand it the Dominion Permanent can take this \$6,350 of the People's Life money each year and use it to pay its own debentures? A.—I cannot tell you that. There may be some very good reason for it that I am not acquainted with.

MR. McLAUGHLIN: Here is the resolution.

MR. TILLEY: Q.—That is the resolution, but I want to know how it is that the Dominion Permanent can take that money and pay it out on its own debentures? A.—Well, to be frank with you, I never inquired. The People's Life Directors thought it was wise to do it.

Q.—Is it not because the Dominion Permanent owned all the debenture stock of the People's Life? A.—Well, that is a question I could not answer and say definitely yes or no. I do not know and do not know who that debenture stock was held in trust for.

Q.—What you say is that the debenture stock of the People's Life is held in trust by certain persons, and you do not know the nature of the trust? A.—I do not.

Q.—But in order that that transaction might go through it would be necessary that that should be Dominion Permanent debenture stock, would it not, because the Dominion Permanent would take the \$6,350 a year, credit it on the debenture stock, and pay it on its own debentures? A.—Reduce its own liability.

Q.—It would reduce the amount of the Dominion Permanent asset in the People's Life at the same time that it would reduce the amount of the debentures in the Home Life? A.—Exactly.

Q.—That was done under this resolution of the 15th March, 1906, was it? A meeting of the Directors of the People's Life, and this is the resolution:

"Moved by Mr. Karn, seconded by Mr. Kloefer, that the officers of the

company be authorized to make a transfer to the Dominion Permanent Loan Company of the interests of the company under agreement of October 12th, 1905, with the Home Life Association of Canada in respect of annual commissions to be paid by the Home Life Association of Canada, such renewal commission to be credited by the Dominion Permanent Loan Company on account of the principal and interest of the debenture stock of the company held by the Dominion Permanent Loan Company. Carried."

A.—Yes.  
Q.—And the persons present at the meeting were Hon. J. R. Stratton, Mr. Karn and Mr. Kloefer, and I suppose that is in your writing? A.—Yes.

Q.—You being the Secretary of that company? A.—Yes.

Q.—I suppose you must be the Secretary yet? A.—I have never been dispossessed; Secretary without salary.

Q.—Then that asset, while it has been transferred to the Dominion Permanent since the beginning of the year, was, on the 31st December, an asset of the People's Life? A.—It was.

Q.—Then the other assets of the People's Life were the J. K. McCutcheon loan, \$16,720; C. Kloefer, \$1,250; D. W. Karn, \$1,250; J. J. Warren, \$1,250. I suppose those are the loans which you spoke about yesterday? A.—Yes.

Q.—Which enabled these parties to buy their stock? A.—Yes, all those smaller ones were just temporary, and were repaid just shortly afterwards.

Q.—They were made, I suppose, in October? A.—Yes.

Q.—And repaid when? A.—I think they were all repaid just after the first of the year, around the end of the year. I could not be certain without looking up the books.

Q.—They were carried over the end of the year? A.—Well, I would not be positive about that.

Q.—This statement is as of the 31st December? A.—Yes. My memory will say that it was in the early part of the year sometime.

Q.—And are there any loans now by the People's Life to any of these parties? A.—None, excepting the balance of Mr. McCutcheon's.

MR. McLAUGHLIN: Q.—You understood that was Mr. McCutcheon's trust stock—not his own personal stock? A.—No, Mr. McCutcheon



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gave his own personal cheque for his own stock.

MR. McLAUGHLIN: Really that stock belongs to the People's Life.

MR. TILLEY: Q.—Mr. McLaughlin says that stock belongs to the People's Life? Do you know that? A.—Probably it does in reality, but it is held by Mr. McCutcheon in trust.

Q.—The People's Life bought some Home Life stock direct? A.—Yes.

Q.—Standing in its own name? A.—Yes.

Q.—Do you know why all the stock was not put in its own name, if that is really People's Life stock? A.—I could not give any reason for that.

Q.—There is no reason that you know of why it should not be put in its own name? A.—No.

Q.—The liabilities you have here are Dominion Permanent Loan overdraft, \$3,027.54. Then under the heading "Doctors," \$1,111.22. What does that mean? A.—Well, that is accounts due to medical examiners throughout the country by the People's Life, and which the People's Life are paying. The Home Life has no liability with regard to that item.

Q.—That is medical men throughout the country? A.—Yes.

Q.—How long has that item been standing? A.—I could not tell you that. That would be the balance shown in the ledger.

Q.—Is it the same still? A.—No, it is not the same still.

Q.—It is being reduced by payments? A.—Yes.

Q.—Debentures, \$251,150, and interest on debenture stock \$7,532.50? A.—Yes.

Q.—Publishers and stationers, \$21.10, and bonus to agents, \$6.50, showing a balance of \$141,996.08? A.—That would be correct.

Q.—Which way? A.—On the wrong side.

Q.—That, I suppose, must come off the debenture stock? A.—Oh, necessarily.

Q.—These other accounts will have to be paid? A.—They will have to be paid.

Q.—You have shown all the assets that the People's Life has, but the People's Life, I suppose, is still under the liability of all these policies if anything should happen that the Home Life did not pay them? A.—Well, the People's Life are under just the same responsibility as any company is on the re-insured portion of their business. The People's Life, I

suppose, before the policy was transferred and re-written on a Home Life form, and the People's Life discharged, any suit would have to be entered against the People's Life; then the People's Life have their remedy against the re-insurers, the Home Life.

Q.—The People's Life has its remedy against the Home Life? A.—Yes, which would of course take care of any liability of the People's Life.

Q.—That is the security that the policyholders has who has a policy in the People's Life now? A.—Yes.

Q.—He has a claim against the People's Life? A.—Yes.

Q.—The People's Life could not pay it; I suppose that is right? A.—Oh, yes.

Q.—It has given up its reserves; it has no assets with which to pay it? A.—It has its re-insurance agreement, re-insuring that policy with the Home Life.

Q.—Instead of keeping the reserve for its policyholders that the Ontario Act requires, it substituted the liability of the Home Life; that is the condition? A.—That is done every day in insurance practice.

MR. McLAUGHLIN: No Act requires an insurance company to keep its reserve on a re-insurance business.

WITNESS: No.

MR. TILLEY: The agreement stipulated that it should pay over the reserve as the policies were re-written? A.—Well that would be almost impossible to carry it out that way; it would create so much work and trouble.

Q.—That would necessitate both companies keeping a reserve in respect of the same policy? A.—Yes, and a large staff of officers to look after it.

Q.—Has the People's Life been paying off debenture stock? A.—They have made arrangements with all the outside debenture stockholders with the exception of one I believe; there is correspondence being carried on with regard to that at the present time.

Q.—That company is in process of being wound up is it not? A.—That is what will be the outcome of it.

Q.—What one has not been paid? A.—Mr. McMullen of Brockville.

Q.—How much does he hold? A.—\$5,000. The President just tells me that that case has been arranged for. The President has been looking after it.

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Q.—Then Mr. McMullen, so far as his position at the present time goes, is still a holder of debenture stock? A.—The President just tells me here that it has been arranged; what the arrangement is I do not know.

Q.—I suppose you have had correspondence with all these debenture holders other than the persons that held debenture stock in trust? A.—Yes, I presume there was, unless some of them happened to be seen personally. I think there were some of them seen personally.

Q.—And all outsiders have been settled with, except Mr. McMullen? A.—Yes, and that has been arranged.

Q.—And their debenture stock released? A.—Released.

Q.—Or assigned, which? A.—Released—released altogether and cancelled.

Q.—Tell me what the debenture stock stands at at the present time? A.—\$240,000.

Q.—Have you the statement of it? A.—Well, that includes that \$5,000 that has been arranged for, but the entry has not gone through yet.

Q.—You say the way the debenture stock stands at the present time is that T. P. Coffee holds \$2,500; that would be his estate? A.—Yes.

Q.—C. Kloepper \$2,500, J. R. Stratton, \$2,500; D. W. Karn, \$2,500, and F. M. Holland, \$2,500. You refer to that list of debenture stockholders as holding their stock in trust, but you say that that is a mistake? A.—No, I would like to correct that.

Q.—They own that absolutely? A.—Yes.

Q.—Then the next is T. P. Coffee in trust, \$14,700? A.—Yes.

Q.—John McMullen, Brockville, \$5,000 and T. P. Coffee in trust, Toronto, \$207,800? A.—Yes.

Q.—So that the \$240,000 made up of those amounts would include \$5,000 which you say has been settled? A.—Yes.

Q.—Then you will be able to give us the correspondence with the different parties, will you, whereby their debenture stock was settled? A.—I think so, yes.

Q.—Is there anything left of the debentures that were outstanding? A.—No sir.

Q.—All the debentures have been substituted by debenture stock? A.—I could not tell you the operation. They have all been retired.

Q.—When was the last retired? A.—I could not say. That was before my time.

Q.—You do not know anything about that? A.—I do not know anything about that.

Q.—Then I think we had probably better leave that phase of it until we get the actuary's report that was made on a valuation of the business at the time. Then after you had carried through the transaction I suppose you became secretary of the new company? A.—I was appointed at a Board meeting.

Q.—And would have charge of all the books of the Home Life? A.—Yes.

Q.—Was that the first time that you had gone through with them after the amalgamation? A.—The first time I had ever been in the office.

Q.—Prior to that you had made no investigation at all? A.—No.

Q.—And no examination? A.—No.

Q.—Did any person act for the People's that you know of? A.—Well, I presume—as I understood it they took the Government blue book report.

Q.—There was no examination made as of the 31st August? A.—No.

Q.—By either company of the other? A.—I could not tell you just anything about that part of it, what was done with regard to that.

Q.—That was all carried on by Mr. Stratton and Mr. Warren for the People's Life? A.—Yes.

Q.—And by Mr. Pattison so far as you know, and Mr. Firstbrook too? A.—I could not say.

Q.—Mr. Pattison at any rate for the Home Life? A.—Yes.

Q.—Then after you went through the books of the Home Life did you find any transactions that had to be cleared up? A.—There were some transactions. We wrote down some items at the end of the year.

Q.—What were the nature of the transactions? A.—Well some bonds that the company held had been written up in value, and the Directors thought that it would be wise to put them at the cost price in making out the Government report.

Q.—What bonds were those? A.—The Grand Valley Railway bonds.

Q.—When you came into the company they were on the books at what price? A.—I think it was 105.

Q.—Five per cent. premium? A.—Yes.

Q.—And on going into the matter you thought that that should be taken at a lower figure? A.—Yes.

Q.—At the cost price? A.—Cost price.

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Q.—Did you find out what the cost price was? A.—Some of it 85 and some 86.

Q.—And was that done? A.—That was done. We thought it would be better in making out the statement to have things down as near to rock bottom as we knew, not that we had any question as regards the desirability or advisability of writing it up the year before. The Government accepted it the year before at 105, after inquiries that I understood that they had made.

MR. KENT: The witness appears to comment a little on the matters about which he is testifying. There are a number of questions he could reply to by yes or no, and this takes up the time of the Commission unnecessarily I think.

MR. TILLEY: Q.—You at any rate put them down at cost? A.—Yes.

Q.—Was there anything else connected with Grand Valley bonds that you put right after you took over the Home Life Company? A.—Yes, we got some more common stock.

Q.—Did you attend to that transaction? A.—No, Mr. Stratton looked after that, but it was drawn to his attention.

Q.—Did you draw it to his attention? A.—I do not remember just how it happened: I think it was a matter of discussion and it came up to the quantity of stock there ought to be.

Q.—Did you discover what stock there ought to be? A.—No.

Q.—Who did? A.—I think the President discovered it.

Q.—So that you had nothing to do with that transaction any more than going into it with Mr. Stratton when it was brought up? A.—No.

Q.—And when it was adjusted you made the proper entries? A.—Yes, I saw them made.

Q.—Did you find any other transaction regarding Sloss' stock? A.—Sloss' stock came up something in that way.

Q.—It was not one that you attended to personally? A.—No.

Q.—Mr. Stratton would be able to tell about that? A.—Yes.

Q.—Then probably Mr. Kirby we had better get the story of this from Mr. Stratton rather than take it from you indirectly? A.—Yes.

JAMES ROBERT STRATTON,  
sworn. Examined by MR. TILLEY.

Q.—You are President now of the Home Life? A.—I am.

Q.—Since October 12th, since the amalgamation—we will call it amalgamation; I suppose that is a fair word to use in connection with it; the two companies were merged? A.—Yes, brought together.

Q.—Prior to that you had been President of the People's Life? A.—Yes.

Q.—And it was in your capacity as President of the People's Life that you carried on your dealings with the Home Life? A.—Yes.

Q.—Which led to the transaction that Mr. McCutcheon told us about? A.—It was.

Q.—How long had you been President of the People's Life? A.—I could not say exactly. Four or Five years.

Q.—I thought it was from 1900 that you seemed to have been interested in it first? A.—Yes, I was asked to take the presidency of the People's Life. I first declined and subsequently consented, and I was not an active president of the People's Life at all. I took no interest or did nothing for the People's Life until such time as I undertook to put it on what I thought was a better basis. It was not under my management directly.

Q.—And then at a certain time you thought that it was time that some re-organization should take place, and you set yourself about accomplishing something? A.—Yes.

Q.—Then do you say at that time that you went into the office and gave personal attention to the conduct of the company's business? A.—Yes.

Q.—Can you fix the time when that occurred? A.—That would be about November, 1905.

Q.—Would it be before Mr. McCutcheon— A.—Yes.

Q.—Then it would be November, 1904? A.—Yes, sometime in the fall of 1904.

Q.—Mr. McCutcheon spoke of the company for a year or two before as being practically without a manager? What is the significance of that? A.—I believe the late Director that was giving the company the attention in some way or other—he and the previous Manager disagreed, and he either resigned or asked to be relieved, I could not say as to that.

Q.—Who was relieved? The Manager? A.—Mr. Bell, the Manager.

Q.—And who was the Director that was giving the matter attention? A.—The late Mr. Coffee. Then the matter drifted, and his Secretary acted



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in the capacity of Manager of the Company.

Q.—Filling in the gap that occurred before you took hold of it, and following your taking hold of it, Mr. McCutcheon came into it? A.—Yes.

Q.—That was one of the first things you did? A.—Yes.

Q.—To select and put in a manager? A.—The first thing I did was, I took charge of the affairs of the company just as you would take charge of your own business, saw what was coming in and going out, saw what was going on and what was not going on, and I saw the business was in a most unsatisfactory condition, and I commenced then to make changes myself. I changed many officers of the company, until I got down to where I had to make an important change, and I asked Mr. McCutcheon if he would take the management and he consented.

Q.—Is it fair to say that Mr. Coffee while he was looking after the company's affairs was doing it practically as a representative of the largest stockholders—we will call them stockholders? A.—Well he perhaps drifted himself into that position.

Q.—Who were the largest stockholders in the company? A.—I suppose the names that are suggested by Mr. McCutcheon.

Q.—The names given by Mr. McCutcheon as holding the stock in trust? A.—Yes.

Q.—Whom did they hold the stock in trust for? A.—For the Dominion Permanent Loan Company.

Q.—Then the Dominion Permanent Loan Company became interested as the holders of debentures or debenture stock about 1900? A.—The buyers of debenture stock.

Q.—I suppose just in the ordinary way of taking debentures? A.—In the ordinary way of taking debenture stock.

Q.—At that time can you say what the debentures or debenture stock amounted to? A.—Well, I cannot say exactly. I think that the amounts mentioned are about correct.

Q.—Were there both debentures and debenture stock? A.—It seems that the transaction was that the Dominion Permanent bought the debenture stock of the People's Life, and that the People's Life bought the debentures of the Dominion Permanent.

Q.—That would seem to be practically the way the transaction was carried through? A.—Yes.

Q.—It was practically the issue of debenture stock on the part of the

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People's Life and the issue of debenture stock by the Dominion Permanent? A.—Yes.

Q.—And the substantial asset carried by the People's Life was the Dominion Permanent debenture? A.—Yes, in addition to the other securities.

Q.—I am speaking of that as the main asset? A.—Yes.

Q.—Then in 1901 an Act was obtained that Mr. McCutcheon was not able to give us much information about. Do you remember that Act being obtained by the Company? A.

—I remember Mr. Coffee mentioning the matter, and I told him I had not time to take the matter up, and it was not put in my name in the House; I think it was in the name of Mr. Crawford, if I remember correctly. Mr. Crawford and Mr. Coffee had whatever conversations took place in regard to that Act. I think it was changing the debentures to debenture stock as the debenture holders had a prior claim to the policyholders, if I remember rightly. I am speaking absolutely from memory without looking at the Act, and that they had the right to issue more debenture stock—increase the amount.

Q.—To increase the amount and the debenture stock by the Act itself was to share rateably with debentures which had already been issued? A.—Yes, to protect them I suppose.

Q.—To protect the debenture stockholders? A.—Yes.

Q.—But to the weakening possibly of the security of the original holders of debentures? A.—Yes.

MR. LANGMUIR: Q.—What is the amount respectively of the debenture stock and the debentures? A.—The debentures amounted to about \$240,000 at that time.—\$217,000.

Q.—And the debentures themselves? A.—I do not remember that, but they were changed to debenture stock.

MR. TILLEY: Q.—In 1901 apparently the authorized debentures were \$50,000, and then in 1901 the authorized debentures were \$250,000? A.—Yes.

Q.—There was an increase of the debentures? A.—Of \$200,000.

Q.—Then in 1902 the Act came into effect and you had the debentures \$50,000 and debenture stock \$250,000, of which was issued \$210,250; the whole of it had not been issued? A.—I suppose that would be correct.

Q.—A lot of debentures would be taken up by the issue of debenture stock? A.—Yes.

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Q.—You would issue the debenture stock and then exchange it for the debentures where possible? A.—I believe that had been done.

Q.—I suppose the idea was that the debentures would fall due and have to be paid? A.—I could not say what Mr. Coffee's view of that was. He was the practical manager at that time.

Q.—The company would have to meet the debentures at maturity but debenture stock had the privilege of paying, but was not obliged to pay? A.—It was not obliged to retire.

Q.—Could retire, but not obliged to retire? A.—Yes.

Q.—A novel sort of security, debenture stock? A.—Yes. The charter always seemed to me to be a novel charter.

Q.—From the start? A.—Yes.

Q.—So in 1901 you gave it a finishing touch then? A.—I hope I have given it a finishing touch now.

Q.—The debentures were all exchanged, do you say, or what was the latest date when any of them remained outstanding? A.—Do you mean debenture stock or debentures?

Q.—No, I mean debentures now? A.—The last one was retired in December, 1904, I am informed.

Q.—I see in the annual report for 1903 there were still debentures standing to the amount of \$41,450? A.—I think you are safe in saying they were all transferred.

Q.—By the end of that year? A.—Yes.

Q.—Now the Act that was passed gave you power to retire debenture stock either wholly or partly; that is you could retire the whole of it or a certain amount of it; is that right? A.—I could not say definitely as to that.

Q.—We will just read the section to see? A.—Whatever the section says, we would have that power I suppose. The practical result is that we have retired all the debenture stock outstanding as explained by Mr. Kirby this morning.

Q.—The statute is 96 of the 1901 Statutes, and section 31 provides "that the debenture stock to be issued under the authority of this Act shall not confer on any holder of the other debenture stock the right to require repayment of the principal money paid in respect of the debenture stock, but the company shall be entitled at any time upon giving six months' notice in writing to the last known address of

the holders," etc. (Reads section.) Did you regard that section as being a section applicable to the winding up of the company? A.—We did not take into consideration that section at all, to be perfectly candid about it; we explained to each of the debenture stockholders the position of affairs, that we were winding up the company, and offered to give them—they accepted from us the stock of the People's Life in lieu of the stock held by them—debenture stock of the company.

Q.—They accepted from you stock of the— A.—People's Life.

Q.—Of the People's Life? A.—Of the Home Life rather, and that the People's Life had accepted.

Q.—You exchanged with the debenture holders of the Home Life stock? A.—Yes.

Q.—Now to what extent did you in that way retire the debenture stock of the People's Life—how much? A.—All with the exception of that held by the Dominion Permanent, which has not yet been arranged, and the one mentioned, of Mr. McMullen's of Brockville.

Q.—And in that you are including I suppose the stock holding of the individuals named who are associated, one way and another with the Dominion Permanent? A.—That is looked upon as the Dominion Permanent stock. We treat it as that.

Q.—And in fact it is I suppose? A.—And in fact it is.

Q.—Was the settlement with these debenture stockholders a uniform settlement with all at a certain amount of Home Life stock for a certain amount of debenture stock A.—Yes.

Q.—A uniform offer to each? A.—A uniform offer to each.

Q.—Improved, I suppose, in the cases of some? A.—No, I think not. Yes, there was one case where he was given the stock on the same terms as accepted by the People's Life, at 50 per cent. paid.

Q.—There was one case where, what did you say was done? A.—There was one case where the debenture stockholder or the People's Life did not want to accept the stock with the liability of the Home Life, the 20 per cent. paid. And he agreed to accept the stock of the People's Life on the same basis that the People's Life had accepted it; that was \$750 for 750 of 50 per cent. paid up stock of the People's Life, or of the Home

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Life rather. That was the stock that was accepted by the People's Life as part payment of the money, as explained by Mr. McCutcheon yesterday.

Q.—That was the stock taken as half paid stock? A.—Half paid stock, 50 per cent. paid.

Q.—There is a minute, I think, that the Bells should be paid their stock in full, is there not? A.—I did not arrange that, I am not familiar with that.

Q.—Who arranged it? A.—I think that was Mr. Holland. I can find out for you. Every case I arranged was arranged on the same basis.

MR. KIRBY: Probably it will be well for me to get you a statement of that. I cannot speak from memory.

MR. TILLEY: Then you say that Act was not drafted or prepared by you; it was prepared by Mr. Coffee? A.—Yes, absolutely.

Q.—And while you were in the House at the time you had no charge of it? A.—I paid no attention to it whatever.

Q.—It was not modelled on the precedent of any other Statute that you had ever seen, was it? A.—I was not aware at that time that it contained the privileges and powers that it did, but it had been granted by the Legislature, but I believe it was the only Charter of the kind that was in existence. It never should have been granted.

Q.—But you did not take steps to have it repealed?

MR. McLAUGHLIN: It could not be repealed without injury to the policyholders. Mr. Stratton took the only steps that could be effective by getting the policyholders reinsured.

MR. TILLEY: Then Mr. Stratton as to the debenture stock still held by the Dominion Permanent, as shown by this Statement, including the individual holding, there is no arrangement regarding that yet? A.—No, that is to be arranged.

Q.—The \$6,350 payable under the agreement is to be paid to the Dominion Permanent? A.—No, it is to be paid to the People's Life.

Q.—Is Mr. McCutcheon wrong about that? A.—It is to be paid to the People's Life. \$6,350, that is the payment that is to be made to Mr. McCutcheon under the agreement.

Q.—No, the \$11,100 is what is payable to Mr. McCutcheon under the agreement? A.—Well, the \$6,350, the People's Life had the right to

stipulate each year as to whether they will accept so and so or take a certain percentage. They have stipulated this year—I cannot say whether it is binding for all time or not—that they will accept the \$6,350. That is payable to the People's Life and is an asset of the People's Life. I think that is right. That was subsequently assigned to the Dominion Permanent.

Q.—It is now held by the Dominion Permanent? A.—And there is an agreement by which that sum—wait until I think for a moment and get it right.

Q.—Mr. Kirby will get us the agreement and that is better, I think? A.—All right.

Q.—Then, Mr. Stratton, you approached Mr. Pattison of the Home Life, or did he approach you? A.—No, Mr. McCutcheon informed me that it was possible that an arrangement might be made with the Home Life and I went to see Mr. Pattison. That was the first dealing I had with him about it. I saw him once or twice with regard to the matter and he was not at all over anxious about it; he said he would think it over and see what would be a fair thing to do.

Q.—Then, when you first went to him what was the nature of the proposition that you made? A.—The nature of the proposition was with regard to the reinsurance of the People's Life.

Q.—Was it to reinsure the People's Life or to acquire the Home Life? A.—No, they both came out practically simultaneously.

Q.—Were you willing to reinsure the People's Life and drop out of insurance? A.—Yes, absolutely.

Q.—You would have put through the same transaction without involving the purchase of stock of the Home Life Company? A.—Yes.

Q.—And given the Home Life Company the reinsurance agreement that you did give it? A.—Yes.

Q.—You would have been willing to do that? A.—Yes.

Q.—Was that the proposition you made? A.—Well, we discussed several propositions. We came to the conclusion that it would be better after understanding the whole matter, Mr. Pattison's position in connection with the Home Life, and the position of the People's Life, that it would be better in the interests of both companies, for the People's Life to



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re-insure its business in the Home Life and that subsequently the contracts which Mr. Pattison and Mr. Firstbrooke held would be commuted and the two Boards brought together as one, some retiring from the People's Life Board and some retiring from the Home Life Board.

Q.—But the People's Life Board forming the majority and taking control of the Home Life Board? A.—Well, that Board was not considered as the majority; we looked upon Mr. Karn and Mr. Kloeffer as being worth a good deal of money and representative men.

Q.—Mr. Karn and Mr. Kloeffer are both of Dominion Permanent interests too? A.—They were both, yes.

Q.—And they were to go on the Board? Then you say "on understanding Mr. Pattison's position with the Home Life." Will you tell me what you mean by that? What did you understand about his position? A.—You must remember I only had one or two conversations with Mr. Pattison and I handed the matter over to Mr. Warren, the solicitor of the People's Life, to carry on the negotiations with Mr. Pattison, and he completed the negotiations with Mr. Pattison.

Q.—Conferring with you from time to time? A.—Conferring with me from time to time, yes.

Q.—Yourself and Mr. Warren on the one hand; any other person besides Mr. Pattison on the other? A.—I had no conversation with any other person than Mr. Pattison.

Q.—At no time from beginning to end did you discuss anything with the rest of the Board of Directors of the Home Life? A.—No, I supposed Mr. Pattison was doing that.

Q.—I fancy that there is no doubt he was? A.—I don't know.

Q.—That would fall naturally to his lot? A.—Yes.

Q.—To look after his own directors? A.—Yes.

Q.—Tell me what you understood about Mr. Pattison's position? A.—I understood that Mr. Pattison had a contract with the Home Life which entitled him to certain remuneration; I just forget the exact figure, but certain remuneration, per annum, for a period of fifteen years, of which four or five years, perhaps five years, had expired.

Q.—It had about 10 years yet to run? A.—Yes.

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Q.—Did you ascertain what monies had been paid to Mr. Pattison under that agreement in order to estimate what it was worth to him? A.—The estimating was arranged by me with Mr. Warren that it was to be done by the actuaries of the both companies.

Q.—The estimating of what? A.—The value of his contract, by Mr. Hughes, representing the People's Life and Mr. Fitzgerald representing the Home Life.

Q.—Do you say their report covers that matter? A.—That is my understanding of it. You could get that more definitely from Mr. Warren.

Q.—We will get the report and probably that will be better still. A.—Yes.

Q.—Subject to verifying these amounts afterwards by Mr. Pattison himself, I will just read the amounts he received apparently, from the books, during the preceding years.

MR. LANGMUIR: Is that during the currency of his last contract with the Home Life?

MR. TILLEY: Yes, sir.

1898, \$1,736.64.

1899, \$1,593.78.

1900, \$2,893.33.

1901, \$3,940.20.

1902, \$3,075.

1903, \$5,625.

1904, \$8,506.09.

1905, \$4,862.89.

That would be up to the 12th of October I suppose. A.—Yes, it was increasing there very rapidly.

Q.—For 1904 it was almost three thousand larger than 1903, and 1903 some \$2,500 larger than the preceding year. The last two or three years went up more rapidly than the earlier years. Then, under Mr. Firstbrooke's contract:

1900, \$578.66

1901, \$677.09

1902, \$1,127.21

1903, \$1,321.67

1904, \$1,764.16

1905, \$1,716.

Those are the amounts as I have them? A.—The two were receiving or would have received in the neighbourhood of \$10,000 for the year 1905, or the last full year, if they had continued until the end of 1905. Between \$9,000 and \$10,000.

Q.—No, it would hardly be that; for 1905 up to the 12th October. Mr. Pattison got under \$5,000.

MR. McLAUGHLIN: But Mr. Stratton said he meant the last full

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year which was 1904? A.—Yes, that is right. One of your gentlemen spoke about it this morning and I asked Mr. Warren to try to hunt it up.

MR. TILLEY: We will get it in course, no doubt. This is the way it would figure out, Mr. Stratton; that on the first 50 Mr. Pattison would get 5 per cent. or \$2,500. Then on the next \$100,000 he would get 4 per cent. or \$4,000; on the next \$50,000 he would get 3 per cent. or \$1,500, and on the next 50 he would get 2 per cent. or \$1,000 so that on \$250,000 he would be drawing \$9,000? A.—Yes.

Q.—Now that would be for a period of 15 years from the time the contract was dated? A.—Yes.

Q.—Unless he himself voluntarily surrendered his rights or died? A.—Are you taking any one year?

Q.—No, I am not taking any one year, I am saying that if it were built up? A.—If the receipts were stationary then the sum would be stationary, but if the business increased at the rate of a million a year.

Q.—He would be getting 2 per cent. on that? A.—Yes, which perhaps might make that 12 or 14 thousand dollars. It would depend on the success or otherwise of the business. Then, to show in the same way how Mr. Firstbrook's would build up; on the first \$50,000 he would get one per cent. or \$500; on the next 50, 1½ or \$750; on the next 50, 2 per cent. or \$1,000; on the next 50, 1½ per cent. or \$750; and on the last 50 he would get one per cent. or \$500 and for anything over that \$250,000 he would get another one per cent. A.—Another one per cent.

Q.—Assuming that it would be \$250,000 he would be drawing \$3,500 for that year. A.—It would have to be more or less because we cannot stand still.

Q.—I quite appreciate that, but just to show what it might amount to on the basis of \$250,000 his would be \$3,500? A.—Yes, it would be either one or the other, larger or smaller.

Q.—Now this will be subject to verification, too; probably I had better put this statement in. It is a statement similar to the People's Life statement that I put in yesterday, showing the premium receipts and expenses and also the impairment of capital and so on (Filed as Exhibit 435.) The statement starts with the year 1892 and shows the cash premium receipts for that year \$2,049. Then it runs up gradually until 1897, when it becomes \$22,000 odd.

In 1898 it is	\$26,123.
1899	\$26,726.
1900	\$56,968.
1901	\$71,931.
1902	\$100,773.
1903	\$119,663.
1904	\$129,438.
1905	\$164,985.

The next page gives the insurance in force and shows that in 1905 it was \$6,161,017. In 1904 the preceding year, \$3,949,053, so that there was a very large growth in that year, the last year of the Home Life; that would be probably adding in your own? A.—That is the amalgamation, yes, \$1,900,000 that was added.

Q.—In the same way the cash receipts from premiums would be your combined business for 1905? A.—Yes.

Q.—It is said that your premium receipts for that year were about \$67,000, so that that would leave about \$66,000 for the Home Life premium receipts. A.—Yes, \$167,000 combined.

Q.—I was looking at the wrong column. That would be about \$97,000? A.—That only includes the People's Life business from August, not from the whole of the year.

Q.—Would not this be the combined? A.—Only the combination from the 31st August.

Q.—In your Annual Report for that year which would you put?

MR. KIRBY: The whole year for the Home Life plus the cash receipts from August, so that it would only be a portion of the year for the People's Life? A.—The cash receipts for the combined companies now amount to about \$240,000.

MR. TILLEY: So that the insurance in force of the Home Life at the end of 1904 was about 4 millions? A.—In round numbers.

Q.—And it had been the year before 3½ millions, and the year before that about 3¼ millions, so that the last two or three years it progressed in that way and, of course, the higher the premium income became the greater would be the remuneration of Messrs. Pattison and Firstbrook? A.—Yes.

Q.—Then what discussion did you have with Mr. Pattison regarding the transaction, further than what you have told us? A.—I did not have much discussion with Mr. Pattison further than that he would consider any reasonable contract for taking over the business of the People's Life, and after perhaps several conversa-

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tions had taken place between Mr. Warren and he, the question came up with regard to the directors of the People's Life becoming associated with the Home Life, and then discussions took place largely between Mr. Warren and Mr. Pattison.

Q.—Then, do you say that it was arranged to reinsure before the discussion as to change of directorate came up? A.—Yes.

Q.—And the amount to be paid to Mr. Pattison did not come up? A.—I won't say it was definitely concluded before that, but it was discussed and that was what first brought about the talks at all.

Q.—The discussion of the other feature? A.—Yes.

Q.—You say then, for some time it was discussed and dealt with on the basis that Mr. Pattison would continue to manage the Home Life? A.—It was not assumed otherwise.

Q.—Did you know at that time that Mr. Pattison was willing or desirous to give up the insurance business? A.—I don't think he said so on the commencement.

Q.—I am not asking you whether he said so, but did you understand that in any way, that he had other interests that he was willing to devote his attention to. Did you get that impression either from him or otherwise? A.—I cannot say definitely as to that.

Q.—Did you know he was interested substantially in the Grand Valley Railway? A.—I knew he was a director of the Grand Valley Railway but I didn't know that he had any active management of it.

Q.—Probably not, but did you know he was willing to give up his attention to the Grand Valley Railway? A.—No, not as a matter of fact.

Q.—Tell me what Mr. Warren reported to you about his interviews with Mr. Pattison? A.—My interviews with Mr. Warren were always very brief. He said he could bring about the re-insurance of the People's Life with the Home Life.

Q.—You had learned that yourself? A.—Not the terms or the basis of agreement at all. Mr. Warren went into the absolute details with regard to what arrangements could be made and he reported them, acting as solicitor for the People's Life, and I reported then to the other members of the Board what Mr. Warren had reported to me, and Mr. Warren's instructions from me and from the Board were to see that an absolutely

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equitable transaction was made between the People's and the Home Life, that the People's Life would be protected and that the Home Life would be protected, and while it may not be pertinent to your question, the reason for the directors of the People's Life joining the directors of the Home Life was largely to see that representatives of both Boards were present at all meetings to see that the interests of both companies were protected and carried through.

Q.—Did Mr. Warren report to you what amount Mr. Pattison suggested as the fair amount to pay? A.—He reported to me that the amount the actuaries thought was a reasonable amount was a round hundred thousand dollars and subsequently it was \$90,000 and finally it was settled at \$80,000.

Q.—That is to say the actuaries changed it from 100 to 80; was it their minds that were changed? A.—No, I think it was largely myself.

Q.—That is, you took the position that you would not pay \$100,000? A.—That \$80,000 was sufficient.

Q.—And you thought a good deal less was sufficient, did you not? A.—No.

Q.—Did you not propose anything less? A.—There was no use of proposing anything less.

Q.—Did you propose anything less? A.—No.

Q.—Never suggested any less amount than \$80,000? A.—\$80,000 was the amount we finally decided upon.

Q.—But there was no offer of a less sum? A.—No.

Q.—On what basis do you say that that contract of Mr. Pattison's is worth any such amount? A.—Well, if you take the business of the People's Life and add it to the Home Life.

Q.—But then the Home Life had not got the business of the People's Life at that time? A.—It was likely to be brought to a conclusion.

Q.—It was likely to get it? A.—Yes.

Q.—But it had not acquired it at that time? A.—No, but it had to be considered on that basis, it was likely to be carried through.

Q.—That is because you, as the President of the People's Life were putting through an arrangement with Mr. Pattison for the transfer of the People's business, you had to pay him a commission? A.—No.



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Q.—Or a commutation based on the additional business you were then giving him. Surely that is not so, Mr. Stratton? A.—We thought it had to be taken into consideration, yes.

Q.—You do not mean to say you thought it was proper to pay him money in respect of the very business you were transferring to him as part of the arrangement? A.—I mean to say that Mr. Pattison, or the Home Life taking over the People's Life and adding to the business of the Home Life, the combined revenue therefrom, that under Mr. Pattison's contract he would be entitled to a certain sum of money which would be, we figured, in excess, with the usual progress of the company, of the amount that is being now paid under the commission to Mr. McCutcheon, and that view was kept in mind.

Q.—That is to say, if the two transactions had been separated and the re-insurance carried through without the other, that he would have had the People's Life business on which to base his commission. A.—Yes.

Q.—And on that account you think that as part of the same transaction you were entitled to pay him, on the basis of that People's Life business which you were then transferring to him? A.—We considered that, but we did not add that to his present contract, but that aspect of the case was kept in view.

Q.—At the same time Mr. Pattison was to be released from serving the company any longer. A.—Yes.

Q.—The commission he was being paid under his contract was the payment for his services? A.—Yes.

Q.—That is what his services were supposed to be worth. A.—Yes.

Q.—And what he was giving for his commission was no longer to be given? A.—Was no longer to be paid to him.

Q.—And he was no longer to give his part of the consideration? A.—No longer to give his part of the consideration, but it was understood that the consideration that would be paid to Mr. McCutcheon as the incoming Manager of the company combined with the combination that was being allowed—to put it your way—to Mr. Pattison and Mr. Firstbrooke, would not be in excess of what Mr. Firstbrooke would be entitled to had he remained there, and of course we thought we were getting a better man than Mr. Pattison in Mr. McCutcheon.

Q.—Do not let us get off on points like that; I do not know that we want

to discuss that and they are both here? A.—Yes, that is so, I see them both.

Q.—You were to pay Mr. McCutcheon \$5,000 salary in addition to this commission? A.—Yes.

Q.—And the commission was to amount to \$11,100 a year? A.—Probably.

Q.—Making \$16,100 a year you were to pay out? A.—Yes.

Q.—Do you say, that is your opinion \$16,100 a year was the fair equivalent for these two sums that the other men were getting? A.—Well, I mean to say that the two companies are in a better position to-day, under that agreement, than they were under the positions they were both in before and that was my object in bringing about the, as you put it on the start, the amalgamation, to put it in that way.

Q.—And in order to get both the companies in this better position you had to pay, what Mr. Firstbrooke and Mr. Pattison demanded? A.—We had not to, unless we desired to.

Q.—You had to, to get them in that position. A.—Oh yes.

Q.—That was the payment that had to be made in order to bring about this agreement that was for the good of both companies? A.—That is right.

Q.—And that position was brought about by Mr. Pattison and Mr. Firstbrooke having these contracts with their companies that enabled them to take that position. A.—Yes.

Q.—Did you ever discuss at all what payments Mr. Pattison would have to make to his other directors? A.—No.

Q.—Never any talk of what would have to come out of that? A.—No, neither before nor since.

Q.—That was left entirely for Mr. Pattison to attend to? A.—Yes, never considered by us. What he would have to do or would not have to do. I always understood from my conversations with Mr. Pattison that his Board was willing to meet his wishes in the matter.

Q.—That is to say that he had matters in such shape that he would be able to deal with them, that is about what he would mean? A.—No, I would understand that he had conferred with his Board.

Q.—And he had them in shape? A.—I don't know what you mean by "had them in shape."

Q.—When \$80,000 is going to a man to surrender contracts that he

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has with his company, and he says, I can arrange the matter with the rest of the Board? A.—No, he did not put it in that way.

Q.—What did he say? A.—He just said, his Board would carry out his wishes in the matter, they had always acted cordially with him and he believed that he would be able—that they would not object to the amalgamation or to his resignation and the election of the representatives of the People's Life is the correct way to put it.

Q.—At any rate you had no discussion with him about that, and Mr. Warren did not report to you any conversation that he had had? A.—No, he never mentioned anything like that.

Q.—You know, I suppose, that there was a good deal of business of the People's Life that was included in the \$2,600,000 of business in force that had lapsed and had not been written off? A.—No, I did not know it at that time.

Q.—When did you first learn that? A.—I learnt that first when the report was being made for the Dominion Government.

Q.—At the end of 1905? A.—Yes.

Q.—Practically in January, 1906? A.—Well, it was 1905. The way it came about, I think, was largely this; I wanted a statement made, there was a letter written that I came across, by Mr. Blackader or Mr. Fitzgerald, I won't say which, but it was from the Insurance Branch at Ottawa, in which certain complaints were made, with regard to the Grand Valley Bonds, with regard to the building and with regard to something else.

Q.—These being appraised too high? A.—Yes, and I said to Mr. Kirby to place these at the valuation fixed and to cut out anything that was to be cut out, so that the statement presented would be absolutely correct and not any too favorable.

Q.—Conservative? A.—Conservative. So that we could build up from that.

Q.—Do you know whether the Home Life business melted away in somewhat the same manner? A.—Yes, some of it melted away.

Q.—How much of the Home Life business melted? A.—The usual lapse rate of about 25 per cent. for the year, they informed me.

Q.—Who suggests the word "usual"? A.—Mr. Kirby.

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Q.—You are not an insurance man enough to speak of that? A.—No, I don't pretend to.

Q.—But there was about 25 per cent. of the Home Life insurance that disappeared at the end of the year and about one-third of the People's Life? A.—Yes.

MR. LANGMUIR: That brought it down from about 4 to 3 millions? A.—No, the combined insurance would be about 6 million. but from 4 to perhaps \$3,500,000 of the Home Life and about \$1,900,000 or \$1,700,000 of the People's Life. I am speaking from memory absolutely, but I was still further informed that these lapses were not all of one year, that they had been carried by the People's Life perhaps 2 or 3 years, that they had not all occurred in the one year, and I gave instructions to cut them all out.

Q.—And the reserve kept up on that? A.—Yes, sir.

Q.—How was that overlooked in the inspection? A.—I could not say.

MR. TILLEY: You are speaking of the People's? A.—Yes.

Q.—That some of these had been carried for some years and not taken out at the end of the year? A.—Yes.

Q.—The computation of the reserve is taken from the preceding reserve and interest added to bring it up to the end of the following year and if the policies were not excluded the reserve fund would not get the benefit of that surrender; that is the way that would work out.

MR. KENT: I suppose the Government Reports for those years were not correct? If these policies lapsed in previous years and were not included as lapsed.

MR. TILLEY: Yes.

MR. McLAUGHLIN: The Report would be incorrect in the way of having too large a reserve rather than too small.

MR. TILLEY: Incorrect in having too much insurance in force. There is no inspection, I suppose, either in the Ontario Department or in the Dominion Department, as to the reserve each year; the valuation is made once in five years for the reserve? A.—It would cost the People's Life something, as they have not got the premium, it would be an expense to them in putting up the reserve.

MR. LANGMUIR: When the return is made, either to the Province

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or to the Dominion Government, that is, sworn to by some officer of the Company, and in that respect it must be defective, if the lapses are not set out correctly.

MR. McLAUGHLIN: But in this case this has been done by preceding officers of the company who are not before the Commission? A.—The officer who makes the declaration depends absolutely on information supplied; if the information is not correct the declaration is not correct.

MR. TILLEY: Then, the premium, receipts, of course, would correspondingly shrink for both companies. 25 per cent. off, probably, in the Home Life, and one-third off in the People's? A.—Well, we had not been receiving them in the Home, or in the People's.

MR. KIRBY: The idea was this, that in the Home Life, as far as we know, as far as we had gone during the year 1905, the lapses were the normal lapses from year to year; there was nothing abnormal about the lapses. Of course while they would be 25 per cent. or probably amount to a little more than that, but in that neighborhood any way of lapses, that would be made up by the new business, and if the business showed an increase it would show that the new business was more than taking care of the lapses to whatever extent the difference would be; so that, as far as the Home Life was concerned, as far as we have gone in it, the lapses seem to be the normal year to year rate of lapses.

MR. TILLEY: Would the lapses you have spoken of, Mr. Stratton, include policies surrendered, and so on? A.—Yes.

MR. McLAUGHLIN: All terminated business.

MR. TILLEY: Before passing away from the transaction as to the People's Life, was any part of the \$80,000 paid to Mr. Pattison returned to any officer or director of the People's Life? A.—None whatever.

Q.—No consideration received? A.—Nothing, directly or indirectly.

Q.—No consideration received either by you or any other director of the People's Life? A.—No.

Q.—Did you learn afterwards what Mr. Pattison had done with the \$80,000? A.—No.

Q.—Never concerned yourself with it? A.—No.

Q.—Have you the cheque for the \$80,000 here to-day, Mr. Kirby? Mr. McCutcheon promised it yesterday, I think? A.—I can explain that transaction, perhaps better myself. I

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gave my cheque for the \$80,000. My personal cheque to the bank.

Q.—To what bank, Mr. Stratton? A.—The Traders' Bank. I subsequently arranged for the discount of the \$80,000 with the agreement of the Home Life at the back of Mr. McCutcheon's note. That is the whole transaction.

Q.—That is you gave to Mr. Pattison the cheque on the Bank for \$80,000 and you afterwards arranged to relieve yourself of that payment? A.—I advanced it temporarily.

Q.—And that was cleaned up by the bank accepting the assignment of the monies payable under Mr. McCutcheon's contract, by way of commission outside of his salary? A.—Yes, temporarily.

Q.—Not taking the salary assignment? A.—No.

Q.—And then Mr. McCutcheon's own note for the amount? A.—Yes, I always kept Mr. McCutcheon behind the agreement for the reason that Mr. McCutcheon is an insurance man and I am not.

Q.—And he is now liable to the bank for that advance? A.—Yes.

Q.—And the security that he has given is the assignment of his commission? A.—Yes, but that is only a temporary advance with the Bank; the Bank is not to carry it for the ten years; other arrangements have been made, but I did not change them, for the reason that I am changing the contract from 10 years to either 15 or 20. I think it will be better for the Home Life, that the payments won't be so large, and I am arranging that the payment be made to the Bank, and I would have carried it out before this, but all sorts of motives might have been imputed, if we had done it before the Commission examined the company.

Q.—You do not do it, but you tell us you are going to do it? A.—I am going to do it.

MR. LANGMUIR: The basis of the credit is Mr. McCutcheon's note, and the other is collateral? A.—Yes, sir.

MR. TILLEY: Did you make any inquiry, or did your solicitor make any inquiry that he reported to you as to the validity of the contracts with Mr. Pattison and Mr. Firstbrooke? A.—Yes, he said they were all right.

Q.—Do you know or did you know at the time, whether they were confirmed by his directors and shareholders? A.



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—I think you will get better answers from Mr. Warren with regard to that. I understand from Mr. Warren that the transaction is perfectly legal and proper.

Q.—Perfectly binding? A.—Yes, I mean both.

Q.—And you are not able to speak yourself as to what he bases that opinion on? A.—No.

Q.—All you know is that he reports that way to you? A.—Yes.

Q.—You have not gone through the minutes to see what action was taken by directors or shareholders on those contracts? A.—Well, I have gone through the minutes sufficiently to see that the minutes have been approved in which these contracts have been set out.

Q.—But you do not know whether these are shareholders, directors, or executive committee? A.—Well, Mr. Kirby went through them for me and informed me they had been approved of.

Q.—We will obtain from Mr. Pattison full information about that. I was just asking whether you inquired about that. A.—Yes, I left that to the solicitor, Mr. Warren.

Q.—Then, the People's Life loaned to Mr. McCutcheon a certain amount with which he bought stock. A.—\$29,100.

Q.—That stood in his name in trust? A.—No, I was listening to Mr. McCutcheon yesterday and he did not, I think, exactly understand that. Mr. McCutcheon bought for himself. The transaction was being carried through upon his recommendation and Mr. McCutcheon bought 1,164 shares of the Home Life stock from Mr. Pattison at \$29,100.

Q.—That is, Mr. McCutcheon bought that personally. A.—He bought that personally.

Q.—He did not seem to know it, but he did it? A.—He did it and his own security is at present in the People's Life for the unsold portion of that stock.

Q.—His own security being what? A.—His own security being his note and the stock. And he sold at the same time, the other particulars were given yesterday.

Q.—Yes, I do not want the rest of the particulars, I just wanted to know who was at the back of the transaction, that was all? A.—The directors were at the back of the transaction to see Mr. McCutcheon through in that matter of the purchase of the stock, and if there was any loss about it, the directors would make good to

Mr. McCutcheon any loss in the matter.

Q.—What directors? A.—Mr. Karn, Mr. Kloepper and myself. We would see that Mr. McCutcheon did not lose in the transaction, but we understood that among ourselves.

Q.—So it might fairly be put as Mr. McCutcheon did put it yesterday, that he was acting for the parties who were carrying through the transaction? A.—Well, I have told you the fact and you can put whatever construction on it you like.

Q.—Is there any agreement between yourself, Mr. Kloepper and Mr. Karn? A.—None whatever.

Q.—No document or evidence of the arrangement between you three? A.—No document. They have always carried out their words so far as I am concerned. We were together winding up the company and we were taking whatever steps were necessary.

Q.—Was there any agreement prepared at the time of the amalgamation or in any way relating to the amalgamation that we have not had produced here? A.—Not that I know of.

Q.—There is the re-insuring agreement and the agreement with Mr. McCutcheon? A.—That is all.

Q.—Those are all the documents? A.—Yes.

Q.—Why was the consideration for the transfer of stock by Mr. Pattison to Mr. McCutcheon left out of the document, do you know? A.—Why was the consideration?

Q.—Yes why didn't it say \$25 a share and \$80,000 cash? A.—Well, I don't know. That is only a matter between the lawyers themselves, in the agreement. It was distinctly understood that we would take off Mr. Pattison's hands all the stock he held at the price originally paid for it 20 and 5.

Q.—Then when the agreement was signed it had been settled as to the amount. A.—It had been carried out.

Q.—1,164 shares. Then the agreement was typed "Witnesseth that in consideration of blank" and then the word "in" is struck out and it is changed to "witnesseth that for valuable consideration." Do you know why that change was made? The document was drawn for the purpose of showing the real consideration; whose idea was it not to show it? A.—Oh, I don't know; I couldn't say as to that. There is nothing behind this.

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Q.—I suppose it is fair to say that information was not being given publicly of that payment of \$80,000 to Mr. Pattison? A.—No, it was not being advertised.

Q.—I suppose that you would not have told any of the persons interested in the Home Life at the time the transaction was going through? A.—Well, all the directors of the People's Life were informed of it.

Q.—Yes, but you had been doing business with the People's Life directors for some time and you would have more confidence there? A.—Well, they understood it and there was nothing to hide.

Q.—They must understand it because this money had to be raised? A.—Yes.

Q.—And they were as much interested as you? A.—Exactly.

Q.—You were all acting for the company of which you were all directors? A.—Yes.

Q.—And there would be absolute necessity, but you would not be telling any of the directors of the Home Life what Mr. Pattison was getting? A.—Well, I did not interfere at all or say anything to any of the directors of the Home Life.

Q.—It is fair to say that it was the intention of all parties that that payment should not be disclosed. A.—No, that is not correct.

Q.—Except to the persons who had to pay or receive it? A.—No, that is not correct because the agreement made between the Home Life and Mr. McCutcheon would certainly show Mr. McCutcheon was being paid a sum in excess, under the agreement, in excess, perhaps, of what a young company would pay a manager, and that this sum was applied by Mr. McCutcheon. It could not be kept away or tried to be kept away and there was no intention to try to keep it away from the Board of Directors, in fact the Board of Directors all know about it, as far as I know.

Q.—The face of the McCutcheon agreement indicated to any sensible man that there was something else behind it? A.—Yes.

Q.—That that was not salary? A.—Yes.

Q.—And yet you say that is the *quid pro quo* for Mr. Pattison's salary? A.—That was the arrangement made with Mr. Pattison for the two contracts, his and Mr. Firstbrook's, not Mr. Pattison's alone.

Q.—Is not that because \$80,000 is something for Mr. Pattison besides what he could reasonably expect un-

der the circumstances, something to get him out of the way? A.—No, I would not say that.

Q.—You make that statement about Mr. McCutcheon's contract and yet you say this is just the equivalent of Mr. Pattison's? A.—No, I couldn't say Mr. McCutcheon's is just the equivalent of Mr. Pattison's.

MR. McLAUGHLIN: The facts are being disclosed as fully as any person can disclose them, by Mr. Stratton.

MR. TILLEY: You said the \$80,000 was a fair payment to make. I understood you to take that position? A.—It was recommended to me by Mr. McCutcheon and Mr. Warren as being the right and proper thing to do under the circumstances to bring about the amalgamation—although "amalgamation" is not the correct word.

Q.—After all, is it not the correct word? That was the proper payment to make to bring about the amalgamation? A.—No, to bring about an arrangement of the two Boards together with the two businesses of the two companies, for business purposes.

Q.—When that agreement with Mr. McCutcheon came up before the Home Life Board you say that, of course, they would see that there was something to be paid out by Mr. McCutcheon or that was the equivalent of something else? A.—When it came up before the Home Life Board I thought it would be better to be signed by Mr. King instead of by myself, as I was President of the People's Life and was becoming President of the Home Life. I thought it would be better to be signed by him so that everything would not be completed by me. The agreement was understood by the Board at the time and Mr. King understood.

Q.—What members of the old Home Life Board were directors at the time that agreement was ratified? A.—There was Mr. King and Mr. Hughes. I just forget for the moment whether Mr. Hughes was present. The minutes ought to show that. There was Mr. Curry, Mr. King, Mr. Hughes, Mr. Briggs and Mr. Lyons of Guelph.

Q.—These are all the old Home Life Board? A.—No, Mr. Lyons is not of the Home Life.

Q.—I am asking the old Home Life Board? A.—Well, they were all present.

Q.—The ones that were re-elected? A.—The ones that were re-elected.

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Q.—Your directors were in control at that time? A.—No, we were all elected. The Board was just as it is to-day, with the exception of a resignation or so that may have taken place meantime and a new gentleman elected.

Q.—Will you say the directors present at that meeting knew what was being paid by Mr. McCutcheon to Mr. Pattison? A.—We assumed they did. The resolution was put before them and the contract put before them.

Q.—It was not in the contract, the \$80,000? A.—No, the \$80,000 was not in the contract. The Home Life had nothing to do with the \$80,000. The Home Life had to do with the agreement of Mr. McCutcheon with the Home Life.

Q.—But you say that agreement obviously contains something that was going to be paid to Mr. Pattison indirectly? A.—It contained the repayment of the amount that was to be repaid.

Q.—Were the directors at the meeting of the 13th when that agreement was obtained, told that? A.—I suppose they understood it. I could not say what discussion took place about it.

Q.—Were they told it? A.—There were present Mr. King, Mr. Briggs, Mr. Kloefer, Mr. Hughes, Mr. Curry, Mr. Warren and Mr. McCutcheon.

Q.—Mr. King was a member of the old Home Life? A.—Yes, he was Vice-President.

Q.—Dr. Briggs? A.—Yes.

Q.—Mr. Curry? A.—Yes.

Q.—Mr. Hughes? A.—Mr. Hughes was not.

Q.—There were three of the old Home Life Board there at the meeting? A.—Yes.

Q.—Was Mr. Hughes a former director of the People's? A.—No.

Q.—And besides Mr. Hughes there was yourself, Mr. Kloefer, Mr. Warren and Mr. McCutcheon? A.—Mr. McCutcheon was not a director of the Old People's Life.

Q.—Mr. McCutcheon's agreement was read at that meeting? A.—From memory, yes.

Q.—You say it was? A.—Yes, I asked Mr. Kirby and he says he read it.

Q.—Did any person ask why that 5 per cent. was added? A.—I don't think so.

Q.—Was anything said about it? A.—No.

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Q.—It was simply read and passed? A.—I don't think there was any discussion about it; no, there was no discussion about it.

Q.—But you are positive that it was read? A.—Mr. Kirby says he read it.

Q.—Do you say so, Mr. Kirby?

MR. KIRBY: Well, I presume it was read.

MR. TILLEY: Do not presume, please. I want to know whether the agreement was read.

MR. McCUTCHEON: It would naturally be read when the minutes were confirmed.

MR. KENT: Is it not a fact, Mr. Kirby, that it was not read?

MR. KIRBY: I cannot say from memory.

MR. TILLEY: The memorandum of agreement is set out in the minutes, but that does not say the agreement was read at that time? A.—Mr. Kirby would read the minutes at a subsequent meeting any way.

Q.—Did you read it at the next meeting?

MR. KIRBY: No doubt it would be read then.

WITNESS: There was nothing kept from the Board in any manner, shape or form.

MR. KIRBY: What makes me hesitate is this, sometimes there would be an agreement or something like that and instead of reading it, it would be passed around amongst the directors and they would read it as they sat at the table, and probably the Secretary or President would not read it personally.

MR. TILLEY: Was there any discussion about that agreement? (Mr. Kirby answers till a change is indicated.) A.—No discussion.

Q.—And no explanation? A.—None asked, that I know of.

Q.—That would be understood as a thing not to ask under the circumstances, don't you think; you did not expect any person to ask any questions, did you? A.—No, personally I expected that the directors all knew exactly what was in that agreement when it was presented for confirmation.

Q.—And you thought that the directors knew the \$80,000 had been paid, did you? A.—Oh, I didn't know anything about that.

MR. STRATTON: There was nothing tried to be hidden by you?

MR. KIRBY: No, sir.



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MR. McCUTCHEON: Or any person.

MR. TILLEY: Who did you ever tell that you had paid \$80,000, Mr. Stratton?

(Mr. Stratton now answers.)

A.—I could not say.

Q.—Did you ever discuss that at any Board Meeting since that date?

A.—I could not say.

Q.—Did any person know about it, except the immediate parties to the transaction until it came out here yesterday? A.—Oh yes.

Q.—From you? A.—Yes.

Q. Who? A.—Well, I discussed it with Dr. Briggs and I discussed it with some of the other members of the Board. The payments were made to Mr. McCutcheon under the agreement; payments had been made during the year.

Q.—I am talking about the payment of \$80,000? A.—Yes, well, part of the payment. Statements were submitted to the shareholders monthly or quarterly—to the directors rather—and the world on that the increased payment to Mr. McCutcheon was in excess of what it was understood what his salary would be.

Q.—Was there any discussion about that? A.—No.

Q.—Never has been any discussion about it yet? A.—No.

Q.—Then, Mr. Stratton, leaving that for the present, Mr. Kirby says that you reported to him something that you had discovered regarding Grand Valley Railway Bonds after the amalgamation agreement had been executed? A.—I had been informed that the company had not obtained their full quota of Grand Valley bonds under the purchase.

Q.—Grand Valley bonds? A.—Grand Valley stock that went with the bonds.

Q.—You knew that the company was carrying some Grand Valley Bonds? A.—Yes, and stock.

Q.—And you knew that it had got some common stock as a bonus? A.—Yes.

Q.—And then you heard that it had not got its full amount? A.—Yes.

Q.—Was that reported to you or did you learn that from going through the books? A. It was reported to me in going through the assets of the company.

Q.—By whom, in going through the assets? A.—By my going through the assets of the company with the late accountant of the company.

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Q.—You examined into the transaction and came to that conclusion in your own mind? A.—No, I did not come to any conclusion, Mr. Walker told me he thought that we were entitled to a larger proportion of the common stock.

Q.—Did you take that up? A.—I took that up with Mr. Pattison.

Q.—And what took place between you and Mr. Pattison about that? A.—Mr. Pattison said he would enquire with Mr. Firstbrook and so and he returned to the company 150 shares of the common stock.

Q.—How many bonds and how much common stock had the company at the time you amalgamated? A.—\$44,000 of bonds and \$22,000, 50 per cent. of stock.

Q.—Exactly 50 per cent., was it? A.—Yes.

Q.—Are you sure it is 220 and not 155 shares? A.—You are thinking of the common stock?

MR. KIRBY: 215 first. Then we got 5 and that made 220 of the 50 per cent. Then, since that we have received 150, bringing it up to 370 shares.

MR. TILLEY: That is not quite 100 per cent. yet? A.—Not quite, no.

Q.—Then, tell me, Mr. Stratton, or Mr. Kirby—what you learned about that on investigating the books, and just what had been done, what stock you are entitled to and what had become of it before you got it from Mr. Pattison.

MR. KIRBY: There was nothing to show how much the company was entitled to.

Q.—Then, how did you base any claim against Mr. Pattison?

MR. STRATTON: On how the stock had been sold to others.

Q.—You thought that 50 shares of stock as a bonus was a small allotment of stock in proportion to what others had paid and the stock they had got? A.—Well, from what I know of my own experience, it has been customary that a large bonus of common stock went with the bonds and I naturally inquired whether we only got 50 per cent. of the stock with these bonds. And we sent for the bonds and stock and counted them up and found we were 5 short of the 50 per cent.

Q.—Where did you get the 5 that were short? A.—We spoke to Mr

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Pattison's son, who was taking charge of these matters at that time and it had been counted wrong, and five shares were returned.

Q.—That brought it up to the 50 per cent. and you got that from Mr. Pattison's son? A.—I think that was the way it was. From Mr. Pattison or his son. Some person was spoken to about it. Then, with regard to the balance of the stock, I spoke to Mr. Pattison about it and Mr. Pattison said that he had forgotten the nature of the transaction and that he would look it up and let us know exactly the position of affairs and if we were entitled to any more stock it would come to us, and he had a talk with Mr. Firstbrook and there was certain stock standing in Mr. Firstbrook's name, common stock of the company, and I don't know how it was arranged but there was returned by Mr. Pattison to the company, the 150 shares we had spoken to him about. I may say this, that Mr. Pattison always showed a disposition to have anything rectified that his attention was called to where it was either irregular or some oversight.

Q.—As soon as it was discovered and mentioned to him he was always willing to make it right? A.—Yes.

Q.—There is nothing yet in your office to show what stock you are entitled to? A.—No.

Q.—You have no means of knowing that? A.—No.

Q.—And you don't know yet whether you have got your full amount or whether you have got too much? A.—Well, we are told by Mr. Firstbrook or by Mr. Pattison that we have got what we are entitled to.

Q.—Did you know then whether Mr. Pattison was interested in the Grand Valley Bonds on his own account? A.—What do you mean by "on his own account?"

Q.—Personally? A.—I cannot say that I did. I knew that Mr. Pattison was more actively identifying himself with the Grand Valley Railway and I know that he was actively interested with Mr. —, the gentleman that was Managing Director in connection with it.

Q.—Dr. Ickes? A.—Yes, but I was not giving any thought or attention to what Mr. Pattison was doing.

Q.—Was there or is there anything in the office of the Home Life to show any transactions by the Home Life to assist Mr. Pattison in carrying Grand

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Valley Bonds? A.—No, there is nothing to show that in the books that I am aware of.

Q. Do you know of any transaction, Mr. Kirby?

MR. KIRBY: A loan on the security of some bonds and a note as near as I can remember.

MR. STRATTON: I can explain that. When I took charge of the company there was a note from Dr. Ickes and at the end of the year, when we were making up our statement, the Home Life accountant, Mr. Walker, called my attention to a note of Dr. Ickes, and I called Mr. Pattison's attention to it; it was 5 or 6 thousand dollars; I told him that we could not carry that; in the first place it never should have been loaned and in the second place we could not put it in as an asset, it would not be accepted; and Mr. Pattison sent his cheque and took it up.

Q.—That was a loan by the Home Life to Dr. Ickes? A.—Yes.

Q.—Without any security? A.—No, I think there were Grand Valley bonds behind that.

Q.—It was a loan to Dr. Ickes on Grand Valley Bonds? A.—And his note.

Q.—How much did that loan amount to? A.—Five or six thousand dollars. At any rate it was retired, as soon as Mr. Pattison's attention was called to it, he sent his cheque for the amount with interest to date.

Q.—Was there any loan of that kind or any other kind that you required Mr. Pattison to take up? A.—There was no other loan.

Q.—But there was another transaction which he had to set right? A.—Yes.

Q.—We will refer to that after the adjournment, but for the present were there any other loans made to any of the directors of the Home Life that you found? A.—No, there were none.

Q.—Where there any that had been closed? A.—No, none of the directors were borrowing from the company.

Q.—Nor had been borrowing? A.—No.

Q.—So far as the books show there is no record at all of any director having got any accommodation from the Home Life? A.—No. The amount of that note was \$5,200 that Mr. Pattison retired.

(Adjourned to 2. p.m.)

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### AFTERNOON SESSION.

Resumed at 2.15 P.M., September 7th, 1906.

Examination of J. R. Stratton, continued:

MR. TILLEY: Q.—There has nothing occurred during the adjournment to remind you of any transaction that the Home Life appears to have had or was current at the time you took hold of it with any of their previous Board of Directors by way of financial accommodation to them? A.—No.

Q.—No financing of Grand Valley bonds nor in any other way did they render assistance? A.—No, except the case I mentioned.

Q.—Quite so? A.—I mean to say whatever may or may not have been done in previous years that was the only transaction unclosed.

Q.—There may have been dozens of transactions you know nothing of at all? A.—Yes.

Q.—I want to ask you whether the stock of the Home Life was not issued at a premium? A.—Of 120 and five.

Q.—The five per cent. was the premium? A.—Yes.

Q.—The stock that the People's accepted at 50 per cent. paid? A.—Par.

Q.—There was no premium paid on that? A.—No.

Q.—Was there any resolution or by-law authorizing that sale of stock by the Home Life without the premium which had been demanded from other shareholders? A.—There was a resolution or a by-law authorizing the sale of stock.

Q.—After you became President, was it? A.—I will look up the minute book.

Q.—Was any commission paid on that sale of stock? A.—No.

Q.—No person got any allowance on that as sale of stock? A.—None whatever; the profit on that when disposed of would be a profit to the holder which is the People's Life.

Q.—That is to say it is sold at—A.—120 and five profit would be to the People's Life.

Q.—How late did the People's Life issue its debenture stock before the amalgamation? A.—Until we decided to re-insure the business rather than continue the company.

Q.—Up to the time that you decided to re-insure the People's Life was issuing its debenture stock as occasion offered? A.—Yes.

Q.—Can you say how many sales of debenture stock were made by the People's Life in the year 1905? A.—Three or four.

Q.—Amounting to how much? A.—There was one of \$5,000 to Mr. McMullen, of Brockville; it is an exchange of securities to some extent.

Q.—That is the Mr. McMullen Mr. McCutcheon spoke of this morning? A.—Yes; the others were small amounts of \$5,000, or \$300 or \$200; Six or seven thousand dollars would be the total amount.

Q.—The small amounts would be the persons whose financial transactions would be smaller? A.—Yes, there was no attempt being made to any great extent to dispose of debenture stock.

Q.—Tell me the transaction with Mr. McMullen whereby he got \$5,000 of the debenture stock, what was the exchange? A.—He had some Colonial Life stock which was paying 6 per cent. and that stock was accepted by the People's Life as part payment of his purchase of debenture stock.

Q.—How much Colonial stock had he paid up? A.—\$1,500 or \$2,000.

Q.—That is representing a paid-up sum of \$1,500 or \$2,000? A.—Yes.

Q.—And then over the \$1,500 or \$2,000 he would pay in cash? A.—Yes.

Q.—How much debenture stock did he take? A.—\$5,000.

Q.—Did he take it at par? A.—Yes.

Q.—And paid in the full amount or the equivalent in Colonial stock? A.—Yes.

Q.—In the condition of the People's Life as it existed then was that a proper transaction to enter into with McMullen? A.—At the time we had no thought but what the business of the company would go on.

Q.—What were the debentures that were outstanding at that time worth having regard to the assets and conditions of the People's Life business? A.—I could not say as to that.

Q.—What would be your best judgment? A.—It would depend upon the policy that was being pursued whether the business was progressing favorably and satisfactorily; they would be worth more than if they were at a standstill negative policy.

Q.—It would depend upon the possibility of the management making good the total amount of the debenture



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ture issue? A.—Making a progressive company.

Q.—Take it as the company existed at that time? A.—You cannot take it that way.

Q.—Why not take it that way; what surplus had the People's Life at that time over and above its liabilities, leaving out entirely debenture stock? A.—That is its liability under the policies?

Q.—Yes, include the liability on the policies? A.—That would have to be actuarially figured out.

Q.—Of course it was figured out in the returns from time to time—what was it, Mr. McCutcheon?

MR. MCCUTCHEON: I cannot say at this moment; as far as the policies were concerned the debentures were never considered a liability to the policyholders.

MR. TILLEY: Q.—At the end of December, 1904 the impairment of the People's was \$221,073.64.

MR. KIRBY: Yes, about that amount.

MR. TILLEY: Q.—And the debenture stock outstanding amounted to how much?

MR. KIRBY: \$250,000; but that impairment of course is taking in the liability on that \$250,000.

MR. TILLEY: There was a short shortage of \$221,000 out of \$250,000, that is what that means?

MR. KIRBY: Yes.

MR. TILLEY: Q.—So that the \$250,000 of debentures at the end of 1904 were worth in assets of the company about twenty-five to thirty thousand dollars, assuming the company's statement to be correct.

WITNESS: I am informed that is correct, but you are not taking into consideration the expenditure for the establishment of the business and being a going concern, and the insurance that has been obtained.

Q.—I am taking into account that the business has been established for some 12 or 14 years? A.—Are you taking into your mind there that it was dormant for quite a number of years?

Q.—I am trying to show to the Commission how dormant it was at the end of 1904? A.—Yes.

Q.—That value of the establishing of business is what you would regard as the good will, I suppose at that date, which should be estimated at something? A.—The good-will of an insurance company is largely what you can make it.

Q.—The value as practically agreed on between you and the Home Life so

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far as you can figure it out was one premium, 100 per cent. of the annual premium? A.—Yes.

Q.—And the annual premium in 1905 was about \$67,000 after it was boiled down as the Secretary told us this morning? A.—Yes.

Q.—Even adding that it only brings it to \$100,000 or less? A.—That may be.

Q.—That being the condition do you think it was fair and proper to be selling debentures and accepting from the public 100 cents on the dollar for the debentures? A.—It would depend entirely upon the management of the company, and the success of it and the progress of it, if the management felt that they could make the company a success it was perfectly justified in issuing the debentures to make it so, in disposing of the debenture stock.

Q.—What would be your opinion of it looking at it at this date, that was before you got your coat off and went to work at it yourself? A.—We have looked at it and we have been dealing with it as if it would have been better if the stock had not been sold, at the same time I do not think that there was anything improper in Mr. McCutcheon's disposal of the stock, believing, as he believed, he could make the company a success.

Q.—Was it Mr. McCutcheon that disposed of it? A.—I could not say as to that, but under his management the stock was sold.

Q.—Can you say whether it was Mr. McCutcheon that disposed of that stock? A.—I can find out.

MR. MCCUTCHEON: I might say yes; the holder of it is a personal friend, Mr. McMullen, and his wife a distant relative, and he purchased the stock from me having confidence in me making the company a success.

MR. TILLEY: Did he do that knowing the condition of affairs?

Mr. McCutcheon answers the questions until a change is indicated:

A.—Yes.

Q.—And placing confidence in you to bring the debentures that were not even worth more than what Mr. Stratton has told us up to 100 cents on the dollar? A.—I may say to you he is one of the most shrewd business men in Canada, and before purchasing the stock he asked for a report of the company which I sent to him, and also gave him every information I could possibly give him concerning the company. he was quite satisfied and accepted the debentures.

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Q.—Did you tell him anything about what the stock was worth in your opinion? A.—No sir, I did state I considered in the future it would be a good holding, and I hoped to make it very valuable.

Q.—But you did not tell him what you thought it was worth then? A.—No.

Q.—Did you tell him that debenture stock was capable of being sold at that time? A.—No, I did not even refer to having sold any because I had not sold any. That was the first; there were no efforts whatever being made.

Q.—Did you solicit him to invest? A.—I cannot say I did. I called on him in a friendly way and talked to him, and he said "I will take \$5,000 debenture stock." I sold him an annuity previous to that in the Federal Life, and he had confidence in me, and he says, "You have made it a success and I believe you will make the People's a success, and I am ready to put in my money."

Q.—And you think he appreciated the condition of the People's affairs at that time? A.—I think he appreciated a confidence in me.

Q.—Did he appreciate that for \$250,000 of debentures the company had about \$25,000 of assets? A.—I do not know that he would have considered that, although I would not be justifiable in considering that,—he is a very shrewd business man and I think he would have protected himself.

Q.—You knew that? A.—I knew the debenture stock was there.

Q.—And you knew about \$25,000 of surplus was there to represent all the debentures, didn't you? A.—Yes.

Q.—Did you tell him that? A.—No, I cannot say I did, I was not asked that.

Q.—You took cash to the extent of three or four thousand dollars and other assets to make \$5,000 from Mr. McMullen for debentures that were only worth about one-tenth? A.—I think you are wrong there; there was a Colonial debenture, or stock in the Colonial Investment Company that he asked to be accepted as part payment of this stock, and his cheque for the balance. Now he asked this Colonial stock to be taken at a certain figure which was consented to, and that price was par. The question was was it worth par, was he buying that debenture stock knowing it was not worth 100 cents, but willing to take the chance of it.

Q.—Did you have any conversation with him as to what the Colonial was worth? A.—None whatever.

Q.—No discussion about that? A.—No.

Q.—And it was dealt with as though it were worth par? A.—Yes.

Q.—Still if there had been no Colonial at all there would have been still a wide margin between the assets and the debentures outstanding?

MR. STRATTON: Still he is arranged with and it is felt he ought to be, and that is being done.

MR. McCUTCHEON: That is really retired; it is private business and I have agreed to retire it.

MR. TILLEY: You have agreed to retire it on behalf of whom? A.—On behalf of myself; I have the President's instructions to retire it.

Q.—But who have to retire it?

MR. STRATTON: The People's Life.

Q.—With what assets?

MR. STRATTON: With their own assets.

MR. McCUTCHEON: Naturally their own.

Q.—Are you retiring these debentures or is some person retiring them?

MR. McCUTCHEON: Mr. Stratton has been giving the matter his personal attention.

The questions are answered by Mr. Stratton until a change is indicated:

Q.—Could you make for us a statement showing the issue of the debenture stock, the date of issue and date of redemption? A.—I could get you a statement.

Q.—Then we would like to know the terms on which the different holders were dealt with? A.—Very well.

Q.—Was any commission paid on the issue of debenture stock of the People's Life to any person? A.—I suppose there was, I never paid any.

Q.—Who did pay it? A.—I don't know, I will find that out for you.

Q.—On what basis is Mr. McMullen being redeemed? A.—On the basis that he subscribed for the stock.

Q.—What was that? A.—On the same terms he subscribed for the stock.

Q.—That is he is getting his money back? A.—Yes, and he is taking his Colonial stock back.

Q.—And he is taking his money back? A.—Yes.

Q.—That is to say he refused to accept anything else? A.—I would not say that.

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Q.—It is all covered by correspondence, is it? A.—He has intimated, I could not say whether it is by correspondence or not—I have two letters from him and I can produce those letters. I wrote myself personally with regard to the stock. He wrote me in reply that he would consider my proposition to accept the stock of the Home Life, and I replied to him again and he wrote then, not to me but to another party, intimating he would be satisfied if he was restored to his original position; which I gave instructions to have it done.

Q.—We will see that in the correspondence. The by-law that was passed regarding the issue of fifty per cent. stock to the People's is on page 335 of the minute book and reads this way: (Reads.) That resolution was carried, and so it appears in the minutes of Board of Directors, October 20th, 1905—has that by-law been confirmed by the shareholders? A.—Is that a resolution or by-law?

Q.—The resolution, what it is here? A.—I could not say definitely as to that, I do not think so.

Q.—The stock was issued in this case under that and the resolution? A.—Yes.

Q.—And there is nothing else that has been done by the company or other shareholders or directors in confirmation of it; apparently that was approved of December 28th, 1905. Who are the present directors of the Home Life? A.—Here is a list (hands list to Mr. Tilley).

Q.—You have handed me a list of the Board of Directors of the Home Life for the year 1906? A.—Yes.

Q.—And also a list of the Advisory Board? A.—Yes.

—List of the Board of Directors and the Advisory Board marked as Exhibit 436.

Q.—As to the Advisory Board, that is persons out of Toronto at different points, I suppose, for consultation? A.—In the various Provinces.

Q.—Then you have taken out of the list of directors three names, John McMullen, R. R. Hall, M.P., and Jacob Hose, why do you strike those out? A.—They intimated after they were elected at the annual meeting that they would prefer not acting in the capacity of a director in an insurance company.

Q.—The three of them did? A.—Yes.

Q.—You have a margin for your directorate, you are not committed to an exact number? A.—Yes.

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Q.—What is the number? A.—Fifteen and not to exceed twenty-five.

Q.—You have a margin, between 15 and 25? A.—Yes.

Q.—So long as your number does not exceed the maximum or get below 15 you would have a properly constituted Board of Directors? A.—According to the by-laws.

Q.—The only directors here who were directors of the Home Life before the amalgamation are John S. King and Rev. Dr. Briggs, those are the only two who were on the old Board? A.—Oh, no, there are six. (Marks with a cross those who were on the old Board.)

Q.—These six you have marked with a cross were all members of the old Board of the Home Life? A.—Yes.

Q.—These parties other than Mr. King and Dr. Briggs do not seem to have taken any part in the transaction whereby the amalgamation was carried through? A.—I do not know what part they took with the Home Life.

Q.—I thought I asked this morning, but I must be mistaken, whether all the names I had read as resigning constituted all the old Board of the Home Life? A.—No.

Q.—There was some mistake about that, beside the gentlemen who attended the meeting and resigned some of them were re-appointed, there were other persons? A.—There were other persons directors on the Home Life Board.

Q.—We will be able to tell that from Mr. Pattison? A.—Yes.

Q.—Was Mr. McMullen, whose name you have struck out, a shareholder in the Home Life? A.—He was a shareholder in the People's Life.

Q.—He had debenture stock in the People's? A.—Yes.

Q.—But that did not in any way make him a member of the Home Life? A.—No.

Q.—So that he was not a qualified person to be a director? A.—Yes, he became a policyholder of the Home Life.

Q.—He is a policyholder? A.—Yes.

Q.—When did he become such? A.—I say as a policyholder of the People's Life, if he had a policy he would have been qualified to have been elected as a director of the Home Life, but he was elected at the annual meeting, speaking from memory, with a view to his qualifying to become a director of the Home Life Board subsequently.



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Q.—That is probably the way the transaction would be put through, you would appoint Mr. McMullen on the expectation that he would close your transaction in the way you were proposing, to take Home Life for his debenture stock in the People's? A.—It was not considered, he was looked upon as a good man living in the eastern part of the Province.

Q.—It was not considered as a good move to get Mr. McMullen accepted in the Home Life? A.—You want to put a motive to it that we did not have in mind. We felt Mr. McMullen, living in Brockville, in an important city, and in the eastern part of the Province, that he would be a good man to become a director, and if he properly qualified himself to be a director he would be a good man to keep on the Board.

Q.—You did not have the other motive at that time? A.—No.

Q.—Mr. R. R. Hall, was he a shareholder? A.—No, he was the same way.

Q.—And also Mr. Hose? A.—Mr. Hose is a shareholder.

Q.—Are all the other persons there that are directors all qualified directors? A.—Yes.

Q.—Qualified by stock-holding? A.—Yes.

Q.—In their own right? A.—Yes.

Q.—The stock that stands in the name of yourself and Mr. Warren is individually held to the extent of 50 shares? A.—Yes, I hold about 200 shares since bought.

Q.—I would like to go over shortly the different transactions that arose with you after amalgamation relating to Mr. Pattison, not so much for the purpose of exhausting that, but so that I can get track of all the questions that arose between you after amalgamation: you have told us of the Grand Valley Bonds, what other transactions came up for discussion to be put right after the amalgamation? A.—I discussed with Mr. Pattison the value of the Electric Light Plant at Colborne.

Q.—In what state did you find that transaction on the books of the Home Life? A.—I found that the Home Life had advanced in the payment of accounts which had been contracted by the Ontario Light, Heat & Power Company, and that the company was advancing money in payment of expenses for the maintenance of this plant that perhaps were irregular and were an expense to the company instead of being a profit, and I took upon myself to see about the disposition

of the plant and get rid of it, and I had a chat with Mr. Pattison with regard to it, and he thought it was of greater value than I placed upon it, but I acted upon my own judgment in the matter and I sold it after advertising it for sale for \$3,000. The money was paid over to the Home Life and a mortgage was taken upon the plant for \$2,500, \$500 repayable in December with 6 per cent. The money was applied to paying the overdraft on the books, and the balance went to profit and loss.

Q.—The amount going to profit and loss in respect of that item being approximately what? A.—About \$1,000, and we wiped out the whole plant taking the mortgage for the \$3,000.

Q.—Was not \$11,350.70 written off the profit and loss? A.—That was written off as the value of the plant. At the annual meeting the plant was written right off, and we restored a certain amount for liquidating the open account in our books, and credit the plant with \$1,000.

Q.—So that you wrote it all off, treating it as being invaluable at the time, and you were able to save the \$1,000 on the transaction when you ultimately closed it out? A.—Yes.

Q.—Was there any personal relationship with Mr. Pattison in that transaction that you learned of? A.—No.

Q.—That was a transaction in so far as you discovered commenced by a usual and proper investment for an insurance company to make? A.—I think it commenced originally by a mortgage.

Q.—But turning out to be a bad investment? A.—Yes.

Q.—So that there is no criticism to offer in that direction? A.—No.

Q.—Then what other transaction came up with Mr. Pattison? A.—In what way?

Q.—Any way, in the broadest possible way—I want to get all the information you obtained after the amalgamation? A.—If you would intimate to me what you—

Q.—I would rather not, I would rather you would do the intimating? A.—I would be glad to supply you the information if I can.

Q.—What other transactions were there that fell to be discussed and possibly made right? A.—We had an understanding with Mr. Pattison that the books of the both companies would stand absolutely as the 31st August, 1905, that there would be no

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transactions of liability for either company other than the ordinary expenses of the management of the company to keep them correctly and going ahead, so that there would be no difference to the companies other than the published statements in the Ontario and Dominion Government reports. Well, I took up the books after I was in possession of the company and I saw that there was a payment to Mr. Pattison of \$1,100.

Q.—When made? A.—I think October of 1905.

Q.—In respect of what? A.—In respect of salaries due him in 1892 or 1893 and I looked up Mr. Pattison's agreement with the company and I found that while the directors of the Home Life had voted Mr. Pattison \$1,100 for services rendered in 1892 that Mr. Pattison had commuted by agreement with the Home Life all that was coming to him for any services rendered in any capacity.

Q.—You are referring now to the agreement of 12th November, 1898, as being the commutation agreement? A.—Yes.

Q.—That agreement which you gave him the consideration for releasing when the amalgamation went through, on referring to that document you found that no possible claim could be made by Mr. Pattison for services prior to 1898? A.—Yes.

Q.—That expresses the view you took of it? A.—Yes, and I mentioned the matter to Mr. Pattison, and he seemed to be under a misapprehension as to the conditions of that contract, and he said to me if he had obtained the money through any oversight he would return the money to the company.

Q.—Why do you put in the expression that he seemed to be under a misapprehension about it; what did he say that would lead you to make that statement? A.—He said he thought he was entitled to the money.

Q.—He thought he was entitled to that vote? A.—Yes. I showed him by the agreements that was already commuted, and that is the misapprehension of the fact.

Q.—He did not understand his agreement properly? A.—Probably overlooked it—had forgotten it.

Q.—Did he tell you why that money was voted to him? A.—There was another vote of \$2,100 subsequently made in October, 1905, and a payment that had been made to Mr. Pattison which had been released to the company under the agreement. I call-

ed Mr. Pattison's attention to that and Mr. Pattison told me candidly and frankly that the payment had been made to him with a view to cover the loss that the directors had made by buying Schloss and that the money had been voted to him and had been applied to the payment of the loss that the company had made on Schloss, which amounted to \$1,325. I called the attention of the directors to the matter, and each of the directors sent in his cheque for the amount, the company was recouped by the directors for the loss on the Schloss.

Q.—Tell me what directors sent in cheques and for what amount? A.—Each of the directors.

Q.—Each of what ones, because some were not taking a very active part? A.—Each of the ones that were notified sent in their cheque, and the amount was restored with 6 per cent. interest to the company. We will get the names, you can tell by that who they are. Mr. Briggs, \$165; Mr. Pattison, \$165. Mr. Curry, \$165; Mr. Firstbrook, \$165; Mr. Boddy \$147.23; Mr. King, \$147.23; Mr. Diver, \$147.23; Mr. Wood, \$147.23. Why they differ in amounts is one of the directors sent in his cheque and said he did not want to be treated any differently from any of the others, that he was equally responsible, and that lessened the amount from the \$165 to the \$147, and that amount was returned to the other directors as being in excess of the amount required to cover the loss to the company.

Q.—Which director volunteered the payment? A.—Mr. Boddy of Portage La Prairie.

Q.—When his payment was received I notice that is the time you changed from \$165 to \$147.23? A.—Yes, they were returned the money that was paid in excess of the amount.

Q.—In that way the losses that had been sustained on Schloss were restored to the company? A.—Yes.

Q.—Can you tell when that Schloss was bought? A.—Yes.

Q.—What was the date of the purchase? A.—20th February, 1903, 100 shares of Schloss stock was purchased at 71½, making a total investment of \$7,125. On June 29th, 1904, the Home Life received the sum of \$7,125, which was raised by a note made by the directors, discounted at the Dominion Bank.

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Q.—That was the way it was paid for at the time; probably Mr. Pattison will be able to tell us about that. That will be a statement that is prepared for you? A.—Yes.

Q.—I was wanting to know whether the Schloss was the property of the Home Life at the end of the year 1903? A.—Yes.

Q.—Was it shown at the end of the year 1903 in the annual statement? A.—No, it was sold on the 31st December, 1903, I am informed and re-bought on the first January, 1904.

Q.—No profit or loss on the transaction? A.—No.

Q.—Can you show me the entry where that was carried in and out at the end of the year? A.—(Produces account).

Q.—There are two accounts which are shown, the first one refers to the purchase of 100 shares of Schloss at the par value of \$10,000; the first entry is 1903, June 5th, "To general ledger \$7,125." And then on December 31st, "By cash \$7,125." That balanced the account. Then the next page the account is re-opened, 1904, January 2nd, "To cash \$7,125." And on June 29th, "To cash \$7,125," which closed the transaction out. Other than that we will be able to get the history of it from Mr. Pattison. That discloses the transaction you discussed with Mr. Pattison? A.—Yes.

Q.—The two votes that you spoke of for \$2,100 and \$1,100 make up more than the loss on the Schloss, did that indicate any other transaction Mr. Pattison had to make right? A.—There had been another vote made to Mr. Pattison. I called his attention to that. I am trying to recall to memory the transaction but I cannot just do it. The matter was in dispute between Mr. Pattison and myself, and I contended the amount was due the company, and Mr. Pattison felt that the amount was not due to the company. We conferred with his solicitor and himself and I agreed to refer the matter to an actuary named Mr. Edwards who was recommended by Mr. Osler as being competent.

Q.—Mr. Osler being—? A.—Solicitor for Mr. Pattison, and I was satisfied to accept Mr. Edwards's report.

Q.—Or arbitration, as you might call it? A.—Arbitration, whoever was wrong in the matter to pay the arbitrator.

Q.—Did you pay? A.—No, we paid proportionately; we were incorrect to a certain extent. Our books were placed open to Mr. Edwards and the

books of the Homestead Loan Company were placed open at his command as well, and he reported that the amount due us was—we got, taking the Schloss and the both we received about \$1,400.

Q.—You received about \$1,400 in regard to that dispute? A.—Yes, the difference between \$1,325 and \$3,000, \$1,700 in respect to that item.

Q.—Is that the transaction that arose out of some Home Life stock that was held by the Homestead Company? A.—Yes, I cannot explain that. It arose in connection with a loan made by the directors when obtaining the Dominion charter. There was an accumulation of interest; the Homestead advanced part of the money and the Dominion Bank advanced part of the money, and as the stock of the company was sold it was retired. I cannot explain the details of that but it was a disputed point as to the interest, and the report was we received \$1,700 and somebody paid it, I suppose it was Mr. Pattison.

Q.—Was there any other transaction with Mr. Pattison since the amalgamation? A.—No, I do not think so.

Q.—Has not Mr. Kirby one other in mind? A.—It was a small question about his own policy.

Q.—As a policyholder in the company? A.—Yes.

Q.—That exhausts all the questions that have been raised since the amalgamation? A.—As far as I can recollect just now, I do not know of any other, and I think it is as an actual fact all.

Q.—We may have to ask again about some of these after Mr. Pattison's evidence? A.—I want to say this for Mr. Pattison that every time I called his attention to anything he set to work to make it right.

Q.—You would see he did? A.—I would be expected to.

Q.—A little opposition would only make it all the more reason to do it speedily? A.—I would not want to say that.

Q.—It would not be much use for him to take any other position? A.—He did not desire to take any other position.

Q.—Apparently? A.—No.

Q.—There was one question I should have asked you, and that is as to the payment of interest by the People's Life on its debentures and debenture stock, to what extent was interest kept up? A.—It was paid up to last January, 1906.



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Q.—No default was made prior to—?  
A.—To closing up the company.

Q.—To the time the transaction was closed out? A.—Yes.

Q.—Mr. Pattison's contract you will remember contains this recital: "And whereas the said party of the second part has not received or been paid the amount of the remuneration agreed upon for his services as such General Manager or Managing Director"—do you know what that means? A.—No.

Q.—Have you examined at all the books to ascertain to what extent he was not paid his salary as this recites? A.—I have not examined the books as to that, but I understand from some of the original directors that Mr. Pattison did give a great deal of time to the company for which he felt he had never been properly remunerated therefor.

Q.—I am asking you now as to any debt due by the company for salary which was waived at the time this agreement was entered into—do you know of any? A.—No.

Q.—If there was any feeling on his part that he had not been paid there is no evidence of any obligation of the company to pay more than whatever he got? A.—No, he commuted that in the agreement.

MR. TILLEY: Subject to obtaining from Mr. Stratton the further information about the People's Life, and so on, that is all I have to ask just at present.

MR. KENT: I am under the impression the Grand Valley gave the same amount of common stock as bonds; I have been unable to figure out just what proportion of common stock was given, if the proper amount was given to the Home Life? A.—As I understand the transaction, some of the bonds were bought at 85 and some at 86, and that we received up to the time I took charge of the matter, we had practically 50 per cent. of the stock. The five shares that were not among the papers of the company I am satisfied was a mere oversight. Then the other 150 shares that we had handed over to us since then I cannot make any particular explanation therefor further than Mr. Firstbrook, who was President of the Home Life, had standing in his name certain stock in the Grand Valley railway, and we received out of that stock 150 shares.

Q.—Can you say who can give us the information? A.—Mr. Pattison.

Q.—Did any shareholder who was not a director either of the Home Life

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or of the People's Life make any complaint to you as to the way in which this amalgamation or whatever is the term you apply to the union of the two companies, as to the conditions under which it was made? A.—No, we have had no complaint whatever from any source. On the other hand, we have been congratulated, and people are satisfied. The business of the Home Life is increasing, the renewals are being promptly made, the payments are being well made, and the interests on all loans are being properly kept up; we have no loans in the Home Life to-day that are not absolutely in accordance with the Dominion Act, and we make no loans.

Q.—That is, you want the Commissioners to understand that there would be no reason for anybody kicking, and there was none? A.—Exactly.

APPLETON J. PATTISON, sworn.  
Examined by

MR. TILLEY: Q.—You were the manager of the Home Life for some years? A.—Yes.

Q.—Were you connected with the company from the date of its incorporation in one capacity or another? A.—Yes.

Q.—Who was the organizer or promoter of the company? A.—A gentleman named C. F. Bunbury.

Q.—Were you associated with him in that work? A.—No, he failed, and his friends came to me and asked me to help them to organize.

Q.—Prior to that had you been in the insurance business? A.—Not in ordinary life insurance.

Q.—What insurance business had you been in? A.—I had been Secretary of a Fraternal Association for some years.

Q.—What fraternal Association? A.—The Order of Canadian Home Circles.

Q.—You had occupied the position of Secretary for some years prior to that? A.—A few years.

Q.—Did you give up that position before the Home Life was organized? A.—No, afterwards.

Q.—You continued in that position until you were in shape to take the position of Secretary in the Home Life? A.—No. I desired to be relieved from the Home Life, but my friends insisted on my staying with them.

Q.—Being relieved of the Home Life? A.—Yes, I had no desire to take the management of the company.

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Q.—Did you take the management at first? A.—No, a gentleman named J. J. Howarth was Manager.

Q.—And you were Secretary, were you? A.—No, I had no connection with it at that time except being interested with my friends in its success.

Q.—That is to say when it was first incorporated and started to do business you were not connected with it in any official capacity? A.—I am not sure whether I was a director or not; it is thirteen or fourteen years ago, but I was not associated with it either as Manager or official—

Q.—That is you were not devoting your time to it? A.—Not at all.

Q.—What stage had the promotion of the company reached when you took hold of it? A.—When I became Manager of it I think it was after the first annual meeting.

Q.—After the meeting of what year? A.—1893 or 1894.

Q.—You must have been before that, must you not, because the salary was for 1892? A.—I am not sure; you are asking me too far back.

JUDGE MAC TAVISH: It is recorded that they commenced business 12th May, 1892? A.—It may have been then the election took place in the latter part or during that year, I could not speak positively.

Q.—It commenced business as an assessment company? A.—Yes.

Q.—And continued as an assessment company until what year? A.—The close of 1899.

Q.—Commencing the year 1900 as a straight life company? A.—Yes, the license was granted on the 18th January, 1900, I think.

Q.—Did you commence to receive salary from the time you were associated with the company? A.—I think I was paid small sums of money, I know there were two or three years in which I was paid nothing at all.

Q.—Can you say what years those were? A.—I could not say that.

Q.—I suppose from the books you would have to get that information? A.—Yes; other years I got \$300 or \$350, I cannot recall that now.

Q.—For the year's work? A.—Yes.

Q.—I do not know that it would be unfair to ask you what remuneration you were receiving in the other company that you were in before the Home Life? A.—I do not know that I could tell you that from memory.

Q.—Can you say approximately how much? A.—No, I do not think I could tell you.

Q.—I suppose that is information you can obtain, but it is not information you carry around with you? A.—Not 14 years back.

Q.—Was it more or less than \$1,000? A.—I think it would be more than \$1,000.

Q.—Are you sure it was more than \$1,000? A.—If I could swear to the sum I would not have answered you as I have; I do not know; I cannot speak back 14 years; I could find out for you in a few minutes.

Q.—We will get the information later. You would be able to tell from the books of the Home Life just what your salary was each year from that year down to the time you left the company in 1905? A.—Yes.

Q.—How many written agreements did you have with the company? A.—I am not sure whether there were three or four, I think there were three or four.

Q.—We have here an agreement of 14th September, 1893, between the Home Life Association of Canada of the first part and Appleton J. Pattison, of the City of Toronto, of the second part, would that be the first agreement, do you think, that was reduced to writing? A.—I would think so.

Q.—I will read that agreement which is part of exhibit 426—that you say was the first written agreement? A.—To the best of my recollection.

Q.—The inference from this document would be you had an agreement for a year before this document was entered into? A.—I think the election of officers would be by the year.

Q.—Probably your position went with your occupation of the office of director? A.—Yes.

Q.—So long as you occupied the position you would be a director and therefore you regarded it as for a year? A.—Yes.

Q.—One would also infer from the document you were then devoting a considerable portion of your time to some other business, is that right? A.—Yes, I think I was then Manager of the Loan Company.

Q.—Of what loan company? A.—The Canadian Homestead Loan Company.

Q.—Was it organized at the same time as the Home Life? A.—Organized in 1886.

Q.—Were the same parties connected with the Homestead Company at that time? A.—As were connected with it in 1886?

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Q.—No, as were connected with the Home Life? A.—No, not altogether; there were some associated with both institutions.

Q.—That is to say there were some persons common to both Boards of Directors? A.—Yes.

Q.—They were subject to a great extent to the same management, would that be a fair way to put it? A.—I do not think so at all.

Q.—What position did you occupy in the Homestead Company? A.—I was Manager.

Q.—And what position did you occupy in the Insurance Company? A.—Manager.

Q.—So that the manager was common to both companies at any rate? A.—Yes.

Q.—Was the President of the Home Life the President of the Homestead Company at that time? A.—No.

Q.—The other officers were different? A.—Yes.

Q.—What salary were you then receiving from the Homestead Company? A.—I could not answer that, I should have to refer to the books.

Q.—Did you continue to be manager of the Homestead Company from the time you assumed the duties down to the time of the amalgamation of the insurance company with the People's? A.—I was Manager of the Canadian Homestead Company from its inception down to the time of its amalgamation last year with another company.

Q.—That is the Homestead Company was amalgamated with the Standard, was it? A.—Yes.

Q.—In what part of 1905? A.—I think it was 1906.

Q.—It was after the amalgamation of the People's and the Home? A.—Yes.

Q.—So that you were Manager of that company from its initiation down to the time of its demise in so far as it passed out of existence when it went into the Standard? A.—Yes, practically so, I was not Manager for the last three or four months before the amalgamation.

Q.—I suppose while the amalgamation was in process of being arranged to be carried through you ceased to be Manager of it then? A.—Yes.

Q.—What was the nature of your arrangement with the Homestead during those years, was it on a salary basis or a commission basis? A.—It was originally founded on a commission basis, they desired me to enter into a contract with them for a term of years—I think the term was ten

years—and it was based upon a commission.

Q.—A commission of what? A.—On the business done; I do not remember just how now but the remuneration was very small at the beginning—I had other means—and it increased with the increase of the business.

Q.—Was that a ten year contract? A.—I believe it was ten years, yes.

Q.—When did it expire? A.—I would think about 1896 or 1897.

Q.—And I suppose you would give a statement showing the payments made under that contract to you? A.—I presume I can get them.

Q.—Then in 1896 what change was made in regard to the Homestead Company? A.—In my contract?

Q.—Yes? A.—None whatever.

Q.—It continued, did it, the same contract? A.—The compensation continued, no new contract was deemed necessary by them or by me.

Q.—So that the payment continued on the basis of the old contract down to the time when you gave up your position? A.—I never drew from the company as much as I was entitled to do under my contract.

Q.—How much did you draw? A.—I have told you I cannot answer that.

Q.—Take 1905, what did you draw? A.—I think between seven and eight hundred dollars, out of which the cashier was paid.

Q.—And you drew in the year 1905? A.—Yes, between seven and eight hundred dollars.

Q.—1904? A.—About the same amount.

Q.—And 1903? A.—I cannot speak about that; I know that for several years the allowance, which included the cashier's payment, was under a thousand dollars.

Q.—For your services in the Homestead Company? A.—Yes, for my services and the services of the cashier.

Q.—Who was the cashier? A.—A lady cashier, Miss Graizer.

Q.—What was the amount that you could have drawn in those years under your contract? A.—If you would allow me to get the contract I would give you the exact information.

Q.—It is no use making mistakes to correct them afterwards; in 1897 you made your second contract with the Home Life, didn't you? A.—The Home Life made a second contract with me, yes.

Q.—Apparently on 26th March, 1892, you became interested in the Home Life, so the minutes would show



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—did Mr. Firstbrook become associated with the Home Life at the same time you did? A.—I do not recall the exact date of my own association and I cannot recall his.

Q.—I was asking whether you went in together? A.—I think we did.

Q.—On March 26th, 1892, Mr. Firstbrook seems to have been elected a director and the vice-president of the company, is that right, was he appointed the vice-president about the time he went in? A.—I think so.

Q.—May 17th, 1892, you apparently were elected a director and general manager, and there is a resolution at page 37 of the minutes that no salary should be attached to the office of general manager during the year 1892; does that agree with your recollection, now I mention it? A.—No recollection at all.

Q.—There seems to be a minute in June, 1893, which would precede this document that was signed whereby it was proposed that you should get \$150 per annum for the \$100,000, and up to two million dollars of insurance, and \$50 per year for two million dollars up to four million dollars—that would be for each \$100,000 I should think from two millions to four millions; no salary till six hundred thousand dollars was reached; and on June 23rd Pattison agreement adopted; so that apparently to that extent there was some arrangement before this agreement that we read? A.—I recall something of that kind in connection with the president, Mr. Ireland, but not in connection with myself.

Q.—The note I have it was with you, but you will be able to tell that when you look into the contract. The second agreement is made 1st May, 1897: "Whereas the party of the second part was duly appointed general, etc. (Reads to the word "lapse"). Do you remember why this second agreement was entered into before the first one was expired? A.—No, I cannot answer that now, unless the agreement shows it.

Q.—There is nothing here that indicates it? A.—Do not the minutes show?

Q.—There is nothing in the minutes that I remember of that gives the reason for it. "Whereas the said party of the second part has not accepted or drawn all of his said salary, etc. (Reads to the words "set out"). Taking the second paragraph what is the point of the reference to your not having accepted or drawn all of the

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salary; does that mean you had not drawn all the commission you were entitled to during the time or that the agreement was not expired? A.—The meaning of that would be that I had not drawn from the company the amount of money that was actually coming to me up to that date on the contract they had made with me.

Q.—And I suppose the books would show what that would amount to? A.—I think so.

Q.—"Therefore this indenture witnesseth, etc. (Reads to the words "defining his duties"). The previous agreement was 9½ up to two millions; and this agreement is 9½ up to two millions. The former agreement was 3½ on all assessments from two millions up to four millions, and this agreement is 3½ on all assessments exceeding two millions, that is to say the limit under the old agreement of four millions seems to be abolished under this second agreement, but a new limit is put in the shape of a maximum salary of five thousand dollars a year; I suppose the amount of insurance that was specified as the amount necessary to start your salary running had been passed sometime before 1897; you remember it said there should be nothing until the insurance on the books amounted to at least six hundred thousand dollars? A.—I could not give you the amount of insurance in force at that date.

Q.—From the government statements filed the insurance in force seems to have been at the end of 1892 \$197,000; at the end of 1893 \$523,000; at the end of 1894 \$873,500; so that during the year 1894 the \$600,000 mark was passed? A.—Yes.

Q.—At the end of 1895 \$1,229,000; at the end of 1896 \$1,319,250; at the end of 1897 \$1,397,250; at the end of 1898 \$1,384,880; at the end of 1899 \$1,559,630; at the end of 1900 \$2,324,100? A.—That is level premium now.

Q.—1901 \$2,491,197; 1902 \$3,267,107; 1903 \$3,543,600; 1904 \$3,949,053; 1905 \$6,161,017; but of course that was after you had ceased to be connected with the company and after the People's had been added to the Home Life business.

Q.—Then in 1897 the company seems to have been willing to enter into an agreement with you for a period of five years with a maximum salary of \$5,000 a year; that is practically what the agreement means, is it not? A.—Yes.

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Q.—That agreement remained in force until 1898 when it was superseded by an agreement dated the 12th day of November, 1898; that is to say the agreement was in force about a year and a half; is that right? A.—Yes.

Q.—Then will you tell the Commission what led up to the rescinding of the agreement of 1897 and the entering into the agreement of 1898? A.—As far as I can speak from memory now, the change which was brought about in 1900 was the principal reason for the termination of that contract before it had expired, and the making of a new one.

Q.—That is the change that was made from the assessment business to the straight line business? A.—Yes, as far as I can remember.

Q.—That change was brought about in 1900? A.—Well, it was consummated in 1900. It was of course not done then.

Q.—It was not done in a moment? A.—No.

Q.—Do you say that it was being planned as early as 1898? A.—I think it was considered earlier than that, and it was certainly being planned in 1899, and I should think in 1898.

Q.—I show that the amending Act of the Home Life was assented to on the 10th July, 1899, so that this agreement being in November, 1898, as you say, the matter of making a change must have been then present to the minds of the persons in control of the Home Life, must have been in the shape of being planned then at any rate? A.—Yes, I should think the work was done as early as that, perhaps earlier.

Q.—What difference did it make that this change was going to take place? A.—In my contract?

Q.—Yes. Why did the fact that the company expected to change from the assessment business to the straight life business necessitate any change in your contract? A.—Well, I may say that I never sought a contract from the Home Life or from anyone else. Any contract that were in existence either with that company or others were sought by the company, and not by me. This contract providing for 10 per cent. commission would I think be impracticable from the standpoint of a level premium company. I cannot conceive of it—

Q.—That is to give you a commission of 9 3-8, and then an additional

3½ per cent., would be impracticable? A.—Too large an amount to charge against the company.

Q.—But there was a very reasonable limit on it, \$5,000 a year? A.—The limit would not be reached for some time. That is to say the company would have been paying very much more under that contract at the time of the change than they did pay.

Q.—That limit was sufficient for the protection of the company if it did not want to pay over \$5,000 a year, was it not? A.—I do not think so.

Q.—And if it was willing to pay \$5,000 a year— A.—I do not think the company were in a position to pay \$5,000 a year at that time.

Q.—Then will we put it this way, that when the discussion of a new agreement was taken up the idea was that \$5,000 was too much to pay? A.—I do not think so. I do not think it was too much to pay, but it was too much to pay then.

Q.—It was not too much to pay for the services then being rendered, but the payment should be deferred till a later date; is that the idea? A.—That was the object of that contract, that the amount should be distributed over a certain number of years, and made less at the beginning.

Q.—Whose suggestion was this contract—yours? A.—No, I think it was a conference of the Board of Directors and myself.

Q.—Who would be the prime mover in that? A.—I could not say whether the—

Q.—Who was the President of the company? A.—The Hon. Mr. Harcourt.

Q.—Did he suggest it? A.—I could not say who made the suggestion, whether I made it myself or whether it was made by members of the Board.

Q.—Had Mr. Harcourt any contract with the company at that time? A.—No, he never had a contract.

Q.—Had Mr. Firstbrook a contract at that time? A.—No.

Q.—He had no contract? A.—No.

Q.—Was the suggestion Mr. Firstbrook's? A.—I do not think so. I could not say positively who suggested that contract seven years ago. I think it would be likely that I would call the attention of the Board to the fact that the existing contract was not a suitable one under the conditions which were to be put into force in the company.

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Q.—Would you just explain anything that would make that an improper or an improvident arrangement either for you or the company, other than the reasons that you have already given? A.—I think the reasons I have given cover that.

Q.—That covers the whole of it? A.—Yes.

Q.—You thought \$5,000 was too much for the company to pay at that time? A.—I thought the percentage that they were giving me on the then premium income would involve the company in paying a larger salary than they ought to pay.

Q.—At that time? A.—At that time.

Q.—How much would the percentage on the premium income at that time involve the company in paying? A.—You can tell from the records there, the premium income.

Q.—There is the premium income for 1898, those are the different years. Just tell us in dollars and cents what you thought it might mean to the company to let the contract stand? A.—This one of 1898 involved practically \$2,640.

Q.—The 1898 contract would involve \$2640? A.—Yes, in round figures. It is a little less than that.

Q.—Did you think that was too much? A.—Not too much, but more than the company ought to pay as a young company starting in business.

Q.—What would it involve in the year 1897 when the contract was made? A.—I am not sure whether these were the figures. This would be about \$2,500.

Q.—Here it is? A.—About \$2,200.

Q.—It would be ten per cent. on the two million; that would be \$2,000, and then about \$60 more? A.—It was not on the millions, it was on the money actually paid in on the millions of insurance, I think.

MR. McLAUGHLIN: There were no regular premiums paid; it was just assessments for death claims.

WITNESS: No, it was a regular premium.

MR. TILLEY: Here it is; 93-8 per cent. on the first two millions. What does that amount to? A.—Insurance in force, \$1,397,000. This is the premium income on the millions. It is not based on the millions. It is based on the money.

Q.—That would be about \$2,200 in 1897? A.—Yes.

Q.—And then in 1898 it would be about \$2,300? A.—Yes, or \$2,400.

Q.—Do you say that you regarded that as too much for the company to

pay at that time in each of those years? A.—I thought it was more than they were in a position to pay, while it was not more than the services that they were getting were worth.

Q.—Why did you make that arrangement in 1897 to run for five years? A.—It had been a continuation of services from 1892 up to that time, with less remuneration than would be paid an ordinary clerk, and it was hoped that the progress of the company would finally warrant the payment of a fair remuneration, and that is the reason for the contract.

Q.—I cannot understand why the agreement was entered into in 1897 on that basis, and you discovered within a year almost that it was too high a basis? A.—I think that the change was not due to the discovery that it was too high a basis on the business that they were then doing, but it was in lieu of the contemplated change in their business largely.

Q.—In taking it from the assessment business to the level premium? A.—Yes.

(The Commission then adjourned to Tuesday, 11th September, at 11 a.m.)

#### SIXTY-FOURTH DAY.

Toronto, Tuesday, Sept. 11th, 1906.

HOME LIFE ASSOCIATION, Continued.

Examination of APPLETON J. PATTISON continued by

MR. TILLEY: Q.—We were speaking about your commissions under the previous contracts before the adjournment. Have you looked into that matter since? A.—I have not looked into it. I have tried to recall the conditions.

Q.—I am told that on an investigation of your books they show that commissions earned by you were credited to your account every month during the time that you have been Manager; is that right? A.—I do not think that could be correct.

Q.—How has it been done? A.—Speaking of the whole term I am satisfied that I was not credited with what I earned for the 13 or 14 years. I would have to take the books to swear as to that.

Q.—That is what I asked you to look into on Friday—to be prepared



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for that? A.—I did not understand that. I had no access to the books.

Q.—Any person has access to any book. If you want to see any book we will get it for you. You cannot say now, then, to what extent all your commissions were credited, or any commissions were not received by you that you are entitled to under the agreement? A.—I cannot.

Q.—Do you attach any importance at all to the language of the agreement where they say that you have not been paid all the remuneration due you? A.—I believe it is a statement of fact. It is not my statement.

Q.—That is to say that some commissions that were payable to you under your contract were not paid? A.—Some salary or commission.

Q. Now we will give you facility to every book of the Home Life, and we would like to know what that amounts to? A.—Yes, I will have to look into that.

Q.—Then when you signed the last contract, you, I suppose, formed some opinion as to what that contract would be worth to you? A.—I do not think that I could have estimated the value of the contract at that time. I knew that it was in substitution of a contract which was then paying me considerably more money than the new contract would pay.

Q.—The contract of 1898? A.—The former one, the last one was 1898 was it not?

Q.—Yes, the last one was 1898? A.—Well, the contract preceding that would have given me a larger salary by a very considerable sum than was payable under the new contract.

Q.—The contract of 1897 is the one you refer to as the better contract of the two? A.—It was yes.

Q.—Under it you were to receive 93/8ths per cent. on all premiums or assessments up to and including two million dollars of insurance and 3½ per cent. on all assessments and premiums of insurance exceeding two million dollars, but \$5,000 was the limit. Now, do you say that you regarded the second contract, which was not limited by the \$5,000 per annum, as being a less favorable contract to you than the one of 1897? A.—I said that it was at that time, sir.

Q.—It was at that time? A.—Yes.

Q.—And how long did you expect it would remain less favorable for you?

Home Life. (A. J. Pattison, Ex'd.)

A.—Until the new contract would reach a salary of \$5,000 a year.

Q.—When did you expect the new contract would reach a salary of \$5,000 a year? A.—I do not know that I could answer that.

Q.—You could not have been indifferent to these questions when you were considering them? A.—Well, it would appear that I must have been when I gave up a contract that gave me \$2,600 a year for one at \$1,200.

Q.—That was for a few years. That would be the result. I want to know for how many years did you expect that that would be so? A.—I do not know that I had any anticipation of that.

Q.—Shall we say you did not think of that at all? A.—No, sir.

Q.—What conclusion did you come to as the result of the consideration you gave it. What was your idea on the subject? A.—I think I explained to you on Friday that I considered that under the new arrangement, the company becoming a level premium company, that this charge was a larger charge than the company ought to pay, that the new contract was, so far as I could recollect, made to meet that condition, and made, I suppose, for a longer term, in order that I might be recouped for the time that I had worked when I was insufficiently paid.

Q.—Do you have to suppose that, or do you know? A.—Well, I knew what I had been receiving.

Q.—And who arranged the terms of this contract with you? A.—I think there was a committee appointed.

Q.—Who were the members of it? A.—I could not tell you that.

Q.—Whom did you deal with? A.—Perhaps the Minute Book would give you the names. I have only an indistinct recollection.

Q.—Let us have the recollection as well as you can give it us. Can you say now who it was? (No answer.)

Q.—Did you say the reason it was made for 15 years was to extend the payments over a longer time and make the heaviest burden on the company at a later date? A.—At a date when the revenue would warrant it.

Q.—When the revenue would be larger? A.—When it would warrant that.

Q.—Will you tell me just the idea you had in 1898 as to what that contract was worth? We want to have some appreciation of what the con-

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tract was worth to you from the standpoint of 1898 when you were considering it? A.—In monetary value?

Q.—Yes? A.—I had never computed that.

Q.—What had you considered it to be? A.—I had not considered it at all.

Q.—You have never considered it yet? A.—I did not say yet, I said I had not considered it.

Q.—What was the first time you considered it? A.—I think the first consideration I gave to the value of the contract was when I approached to sell my interest in the company?

Q.—That would be in 1905? A.—Yes.

Q.—Were you approached before 1905 to sell? A.—Yes, I had been asked several times.

Q.—Extending over how many years? A.—I think two or three years from the time the company bought the Home Life building.

Q.—And in what year was that? A.—Speaking from memory I think 1901 or 1902.

Q.—Were you approached before 1901? A.—Not to my recollection.

Q.—Were there no negotiations in 1899? A.—I do not recall any.

Q.—Were there any negotiations at or about or before the time that you changed to a level premium business? A.—No, I think not.

Q.—Will you swear that there was not? A.—I could not swear that there was not. It is 6 years ago.

Q.—If there were any negotiations at that time, you could, by giving the matter consideration and turning up your records, ascertain that? A.—Well, the only records that I would have, would be these here. If it is in here, all right.

Q.—Can you so inform yourself that you will be able to give me that information, whether there were any negotiations prior to the time you changed to a level premium business? A.—If given access to these books, I can ascertain.

Q.—Would you look up the record you were going to, as to the committee? A.—What was the date?

Q.—1898? A.—No, but the date of the contract.

Q.—12th November. I see that the resolution by the executive to buy the stock of the company was passed in 1898. August 23rd. A.—These books begin, one in 1899 and one in 1898, on the 12th November, perhaps that is hardly far enough back.

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Q.—I see no reference to it in the Directors' Minute Book. Who was the first person you discussed the amalgamation of the People's with? A.—Mr. Stratton.

Q.—Did he make the proposition to you or did you see him about it? A.—He came to me.

Q.—Just look at this book produced and see if there is anything there? A.—In May of 1898 I find a report.

MR. LANGMUIR: Q.—When was that? A.—In May, 1898, I find a report of the special committee upon the question of remuneration to the Manager and to the Chairman of the Executive Committee.

MR. TILLEY: Q.—Then the Chairman of the Executive Committee was what person at that time? A.—Mr. John Firstbrook.

Q.—Read the Report. What page was it and what date? A.—Page 486, minutes of Directors of May 9th, 1898:—

"We recommend that Mr. John Firstbrook be appointed permanent chairman of the Executive Committee and Mr. A. J. Pattison Permanent Manager of the Association, the appointment to be a life engagement. We recommend that the remuneration of the Manager be as follows:—upon the premium income or any part thereof a per cent. or commission as follows:—on the first \$50,000, 5 per cent.—

Q.—Just wait a moment. 5 per cent. on the first \$50,000? A.—Yes, or \$2,500. The report proceeds:—

"On the 2nd \$50,000 4 per cent. or \$2,000, on the 3rd \$50,000 4 per cent. or \$2,000, on the 4th \$50,000, 3 per cent. or \$1,500 and upon all subsequent premium income a percentage or commission of 2 per cent. We also recommend that the remuneration of the Chairman of the Executive Committee be as follows:—Upon the premium income or any part thereof a percentage as follows: on the first \$50,000, one per cent. of \$500, on the second \$50,000 1½ per cent. or \$750; on the third \$50,000 2 per cent. or \$1,000; on the fourth \$50,000, 1½ per cent. or \$750, and upon all subsequent premium income one per cent. We recommend that suitable contracts embodying these terms and remunerations be drawn up and the execution thereof duly authorized by the proper officers of the Association." That is signed by the Committee.

Q.—And who are the members of it? A.—Mr. John Hillock, Mr. Frederick Driver and John S. King.

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Q.—Was that resolution carried? A.—Carried, on the motion of Mr. John Hillock, seconded by John S. King.

Q.—Were the agreements, after they were drawn, submitted again to the directors for approval? A.—On June 28th, 1898, I see a Memo here, "draft agreement between the Association and its Manager for a term appointment as provided in the resolution of the Board of Directors, May 9th, was presented and read to the Board; on motion of Mr. Hillock, seconded by Mr. John S. King, accepted and ordered executed."

Q.—How is it then that the draft agreement is dated 12th November, 1898, several months later? A.—I could not explain that.

Q.—That resolution says that the agreement was presented at that meeting in June? A.—Yes.

Q.—Apparently it was not signed at that time. A.—It was ordered executed then apparently from the minutes.

Q.—Can you say when that document was actually signed? A.—I cannot say from memory when it was signed.

Q.—It was signed in 1898 at any rate, was it not? A.—Why, I would think so. I presume the date of the agreement was the date of signing, but if you want me to swear to that, I cannot swear to the date that it was signed.

Q.—It was signed at or about that time? A.—Oh, I should say so. That is my belief.

Q.—And you cannot fix it any more definitely than that, either by reference to the minutes or to the document itself? A.—No.

Q.—Was the agreement with Mr. Firstbrook, the Chairman of the Executive submitted to the Directors or to the Executive? It is dated February, 1899? A.—I see an amendment to the by-laws providing for that appointment in June, 1898.

Q.—Just read the amendment that you refer to? A.—This is June 28th, 1898.

Q.—From the directors? A.—Yes. Directors' meeting. It reads as follows:—

"Whereas it is advisable to provide for a permanent Chairman of the Executive Committee to review applications and assist the Manager in the work, and whereas the present method of constituting the Executive Committee principally from the executive officers of the Board does not

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give representation of policyholders," etc. "Therefore be it resolved that By-law No. 2 be amended to read as follows:—

The Executive Committee, of which a majority shall form a quorum shall be a Committee of five members and a permanent Chairman; 3 members of the Executive Committee shall be elected annually by the shareholders or policyholders or both, the President and Managing Director of the Association shall be members of the Executive Committee by virtue of their office. The election of members of the Executive Committee shall take place immediately after the Annual Meeting has elected the directors. The permanent Chairman of the Committee shall be appointed by the Board of Directors for such term as they think advisable. The Board of Directors shall, by a contract, fix the remuneration to be paid to the Manager and permanent Chairman of the Executive Committee, and in the event of a vacancy occurring among their number, may fill the same until the next election by Annual Meeting."

I think that is all that refers to that.

Q.—Then I suppose that would account for your agreement not being executed until June, I may say not being sanctioned until June? A.—I do not know that this touches me.

Q.—Yes, it refers to both. However, we have the resolution any way? A.—When was that executed?

Q.—14th February, 1899? A.—I find on November 12th, 1898—

Q.—In what Minutes? A.—This is the Directors' Minutes; in 1898 the Bill of Incorporation constituting the company a level premium company was passed, and on page 15 of the same Minutes, the Manager presented the agreement for the appointment of Mr. Firstbrook as Permanent Chairman and for himself as Manager of the Association, when Mr. Firstbrook withdrew and Dr. John S. King took the chair. The contract was read giving Mr. Firstbrook an appointment for a term of years upon a commission basis. "After discussion it was moved by Mr. Hillock, seconded by Mr. King, that the contract as submitted be and the same is hereby approved and confirmed, and the Chairman and Manager be, and they are hereby authorized to execute the same on behalf of the Association. Carried."



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Q.—Who were present at that meeting? A.—Then follows a similar confirmation of my own contract. There were present John Firstbrook, Dr. John S. King, J. S. King, John Hillcock, and A. J. Pattison.

Q.—There are no others noted? A.—I do not recollect any others. The register of attendance should show exactly who were present.

Q.—That is a separate book that is kept for Directors to sign when they are present? A.—Yes.

Q.—Apparently there were 5 directors present at that meeting, and you and Mr. Firstbrook were two out of the five? A.—Yes.

Q.—Did the Association at that time have regular meetings of the Board? A.—I think so.

Q.—On a certain day of each week or month? A.—Yes, with the exception of the summer months.

Q.—Was that a regular meeting or a special meeting? A.—Well, the business transacted—the minutes do not say whether it was a special or regular meeting.

Q.—Were those contracts ever brought before the shareholders? A.—I am not certain about that. I would have to refer to these minutes. I am not sure.

Q.—I would like you to find any reference to it in the shareholders' minutes relating to these contracts or either contract? A.—Now or when?

Q.—Well later. The books will be here. Apparently the terms of both contracts were settled at the same time, although they bear different dates? A.—I think the report of the Committee shows that.

Q.—That would appear from the Minutes? A.—Yes.

Q.—Had there been any Executive Committee prior to the by-law that you read authorizing the appointment of an Executive Committee? A.—My recollection is that there was an Executive Committee from the inception.

Q.—So that there had been one in fact, whether it was properly authorized by the by-laws of the Association or not? A.—I think so.

Q.—How long had Firstbrook been Chairman of that prior to 1899 or '98 when the resolution was passed? A.—Well, from the time of his election as Vice-President he had acted as Chairman of the Executive Committee.

Q.—The first resolution that you read referred to the appointment of yourself and Mr. Firstbrook for life. Was that the intention? A.—That is the report of the Committee.

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Q.—Was that the intention of the parties at first that it should be for life? A.—I assume that it must have been.

Q.—And that was agreed on with you I suppose and Mr. Firstbrook? A.—I cannot say that I agreed to take a life appointment.

Q.—Of course the contract contains a clause whereby you could escape from being bound, but was it the intention to bind the company as long as you live to pay you those commissions? A.—I presume that was the intention.

Q.—And was that your intention? A.—The contract made with the company shows that it was not, that I thought 15 years was a long enough appointment.

Q.—At the time the resolution was passed did you think it should be for life? A.—I cannot recall now my thoughts with regard to that. I would say that the contract which was limited to 15 years must have been what I thought would be a fair arrangement between the company and myself.

Q.—The minutes show that the Committee sent in a report. Would we be able to get that report? A.—I believe the original is on file. It should be.

Q.—Could you get that for us please?

MR. KIRBY: I have never seen it.

MR. TILLEY: Have you looked for it? Has a search been made for it?

MR. KIRBY: There has been no particular search for it, but I think I would know if we had it. It is not among our ordinary papers.

MR. TILLEY: Probably Mr. Pattison would be able to help you locate it. There is a copy of it in the minutes.

Q.—Was that report drawn by you, do you remember? A.—I am sure it was not, but I could not tell you who drew it.

Q.—After looking at the minutes and finding out the names of the Committee can you say with whom you discussed the contract prior to the report of the Committee? A.—No, I cannot.

Q.—You cannot say which one of the gentlemen? A.—I think probably all of them.

Q.—Would you take the prominent part in it? A.—I do not know whether one would take any more prominent part than another. Probably Mr. King may have done so.

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Q.—He is still with the company?  
A.—I understand so.

Q.—So that Mr. King probably could give us as much information as any other member of the Committee, could he? A.—I should think so.

Q.—Do you remember when it was decided to shorten the term of the contract from a life contract to 15 years? A.—No, I do not. I see both contracts were read to the Board of Directors at this meeting showing—

Q.—In November, 1898, do you mean? A.—Yes sir, November 12th, 1898, both Mr. Firstbrook's contract and my own were again brought to the Directors and read.

Q.—Were you there when they were read? A.—Yes, those are my own minutes.

Q.—Written out by you? A.—At the time, yes.

Q.—And Mr. Firstbrook was there? A.—Mr. Firstbrook was there. He withdrew during the consideration of his matter.

Q.—Did he withdraw from the meeting or from the Chair? A.—The minutes say Mr. Firstbrook withdrew and Dr. John S. King took the Chair.

Q.—Was there any vote? A.—There does not appear to be any. The resolution says "carried."

Q.—Then you say the first time that you ever gave any consideration to what the contract was worth to you was in 1905 when you had the negotiations with Mr. Stratton? A.—Yes, I think that would probably be correct.

Q.—Then tell me what conclusion you came to as to the value of that contract to you at that time? A.—Commencing the probable revenues of the company for the balance of the term, which was not ten years, but about eight, I found that in that time I should receive approximately about \$80,000, between \$70,000 and \$80,400. I referred the matter to our actuary to have him confirm my calculation and he made it a little more than I did.

Q.—Who was your actuary? A.—Mr. Fitzgerald.

Q.—Did he make any written report on the subject? A.—No, simply for my own information.

Q.—What did he make it? A.—I do not recall the figures now. They were a little more than my own.

Q.—More than 80? A.—Yes. It was based upon a certain percentage of growth annually which might or might not have been realized; therefore it was only an approximation.

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Q.—It was a surmise to some extent? A.—Yes.

MR. LANGMUIR: Q.—Was it based upon a present payment of money without the question of interest in advance? A.—I understand the immediate value was taken.

Q.—That is the present value at that time? A.—Yes, the present value was taken.

MR. TILLEY: Q.—Did you figure it out before you presented the question to the actuary, or did you figure it out with him? A.—I made the calculation myself.

Q.—And that calculation you say resulted in your receiving seventy or eighty thousand dollars during the term of the contract? A.—In the eight years. Then, of course, there was the question of a further extension of that contract if I was then living, and if the company was satisfied with my services. The contract did not necessarily terminate at the expiration of the seven or eight years.

Q.—Do I understand that you first estimated what you thought that contract was worth, and then added something to that to cover the possible chance you would have of making another contract equally as good? A.—No, I did not do that. I say that was a consideration.

Q.—According to your statement you would receive in cash in the next eight years about \$70,000 to \$80,000? A.—About that.

Q.—What did you figure that out to be worth—the present value of that amount? A.—I cannot give you from memory the computation.

Q.—About what would it be? A.—Well it would depend altogether on what rate of interest you computed it at.

Q.—What rate of interest did you compute it at? A.—I do not recollect.

Q.—What rate would the actuary take? A.—I presume he would take  $4\frac{1}{2}$  per cent.

Q.—Did you keep the paper on which you did this figuring? A.—No.

Q.—Destroyed it? A.—No. It was only just a rough memorandum.

Q.—Do you think you could go through that mathematical computation again? A.—I think I could.

Q.—Probably you would be good enough to make out the computation again for us during some recess. You have not the computation that the actuary made? A.—No, it was just a rough memorandum.

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Q.—Until we get your computation we will not discuss that feature of it further. Did you make a computation as to Mr. Firstbrook's contract? A.—No, I did not.

Q.—Did any person? A.—I think Mr. Firstbrook himself did.

Q.—Did he hand you any— A.—I am not sure whether he had any other advice.

Q.—Did he hand you any memorandum as to the computation he made? A.—My recollection is that he discussed with me what benefit he would probably get out of his contract for the unexpired term.

Q.—That was a verbal discussion? A.—Yes.

Q.—What was said by him on that subject then? A.—In regard to the amount do you mean?

Q.—Yes. A.—I think he considered that that commutation was to his disadvantage.

Q.—Why did he think so? A.—It was to his disadvantage because he was taking a considerably smaller sum than the remuneration would have amounted to had he received it from the company.

Q.—I am not asking you what sum he received. I am asking now what he said to you as to the value there was in his contract in his opinion? A.—I cannot recall the figures now.

Q.—Have you not any idea what amount he put. You say your own was somewhere between \$70,000 and \$80,000? A.—Yes.

Q.—What was Mr. Firstbrook's? A.—I do not recall that.

Q.—What was your idea as to the value of this contract? A.—I did not go into that at all.

Q.—You discussed it with him? A.—He discussed it with me.

Q.—There is not much difference between that? A.—No, but my recollection of it was that he considered that the disadvantage was against him in commuting the contract. Now as to the figures, I cannot give you those.

Q.—Your recollection is that Mr. Firstbrook thought that he was not getting the full value of his contract? A.—That is correct sir.

Q.—That is in the amalgamation with the People's? A.—Yes.

Q.—And as to the basis on which he computed his you cannot say? A.—I cannot say.

Q.—Did you discuss with him what the probable premiums received from year to year during the 8 years would be? A.—I cannot recall whether that was gone into between us.

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Q.—You do not remember that? A.—No.

Q.—When did you first discuss with Mr. Firstbrook what he should receive? Before you had arranged with the People's Life or afterwards? A.—It would be before any arrangement was made.

Q.—Before any arrangement was made with the People's Life? A.—Yes.

Q.—So that before you came to a conclusion with the People's you made your arrangement with Mr. Firstbrook? A.—The dates come in together there so that I cannot say exactly how that closes up, but my recollection is that we had a fair understanding.

Q.—Tell us the fair understanding you had with Mr. Firstbrook before you closed with the People's Life? A.—As to the amount he was to receive.

Q.—Yes? A.—For the surrender of his contract?

Q.—The understanding you had with him. I want it to cover everything there was in the way of an arrangement between you? A.—Mr. Firstbrook consented to accept \$11,500 in addition to his stock.

Q.—In addition to selling his stock? A.—Yes; that is in addition to the \$3,375.

Q.—Is that a memorandum that sets it all out? A.—Yes.

Q.—Would you let me have it? A.—Yes.

Q.—That is the arrangement with Mr. Firstbrook involved the purchase of stock from him, and also the commutation of his contract? A.—Yes.

Q.—There were the two things? A.—Yes.

Q.—You also had stock to sell, and your contract was to be commuted at that time; is that right? A.—The condition of the sale of my stock was of course the surrender of the contract. I do not know that I could separate the two transactions.

Q.—How much stock had you at the time to sell? A.—If you give me that memorandum a moment I will tell you exactly.

Q.—Here it is? A.—499 shares.

Q.—Had you owned that stock for any length of time? A.—Varying dates, from the time of the organization of the joint stock company up to the time of the sale.

Q.—At what price did you acquire that stock? A.—The bulk of it at 125. Some few shares I bought at less than the price at which they were issued, 25 per share.



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Q.—When had you bought the shares at less price? A.—I could not give you that information without the stock ledger and my cheque book.

Q.—Then I would ask you to look at the stock ledger. What was the lowest price at which you bought stock? A.—Speaking from recollection about \$18 to \$20.

Q.—How many shares did you buy at that price? A.—Only a few shares that were offered through brokers.

Q.—When were they bought? A.—I cannot say.

Q.—In 1905? A.—I cannot give you the date without the stock ledger.

Q.—Have you the stock ledger here? A.—Yes, here it is. I am not sure that I can give it to you now. I will try and get you that.

Q.—So that we will understand each other on that, what I would like is a complete record of your stockholding in the Home Life from time to time, what you paid for it, and what you sold it for? A.—You will not be able to get that to-day I think.

Q.—We will have to get it at a later date? A.—So far as I can give it to you.

Q.—Because we must have it? A.—Yes.

Q.—That would include any stock you took direct from the company, what you paid on it, and any stock you got from the Canadian Homestead Company, or any other parties? A.—Yes.

Q.—Will you agree with this, that at the time these negotiations were proceeding the stock of the Home Life Company could be obtained on the market at \$20 a share or less? A.—I do not agree with that, because I do not think it is a fact.

Q.—At what price could it be got? A.—In any large amount I do not think it could be purchased under a considerable appreciation over the price paid for it.

Q.—Did you ever pay more than the par of the stock and the premium paid to the company? A.—I did not.

Q.—And at that time, according to the statements of the company the capital stock was largely impaired. Just let us settle on the impairment of the company. Those are extracts taken from the blue book, just to summarize the affair, and it gives the impairment according to your own returns made to the Government, in 1892 the impairment was \$3,928, leaving off the odd cents; in 1893, \$7,291? A.—I think that is incorrect. I

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think that statement must be incorrect.

JUDGE MAC TAVISH: Q.—What should it be? A.—I would have to look over the statement, but the company had no capital stock at this date, and it was an assessment company. They had the right to call for all the money that was required to meet their claims.

Q.—I am treating money subscribed at that time as capital, and I am saying that that is the impairment of the moneys that had been put into the company; that is fair, having that in mind? A.—Well, if you take what was not a liability as a liability, of course, you will make a default.

Q.—I am not saying deficit. I am saying impairment, that the moneys paid in to carry on the operations of the company were impaired to the extent I have mentioned? A.—What value do you attach to the business of the company? Any?

Q.—I am taking now the impairment according to the annual statement. We will discuss the value of the business later. A.—Well, if you eliminate the value of the business, and if you take the capital as a liability, why of course—

Q.—I am trying to ascertain the value of the capital in that company? A.—Yes. Now in these liabilities I see death claims of \$5,000. Those were not a liability.

Q.—They had to be paid? A.—They had to be paid, but the company had the right to call the money up to pay them with.

Q.—Quite so, and the next year they would call the money A.—Yes.

Q.—To pay them? A.—Yes.

Q.—And it would come out of the premiums of the next year? A.—Yes, but they are not a liability—even the Insurance Department did not treat them as a liability according to the blue books.

Q.—The money had to be raised for them? A.—Yes.

Q.—With that explanation we will go on, taking your annual statement.

In 1894 the impairment was

In 1894	the impairment was	\$10,730
In 1895,	"	15,779
In 1896,	"	15,488
In 1897,	"	12,422
In 1898,	"	9,734
In 1899,	"	11,768
In 1900,	"	22,406

In 1901 the balance was the other way, because you had bought the

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Home Life Building and you wrote up the real estate, is that right? The Head Office building that you bought? A.—Well there would be some other item to be explained besides that. I think the appreciation in the value of the building made only \$25,000 and there seems to be \$36,000 of a surplus.

Q.—We will probably get the explanation of that. In 1902 the loss of that surplus was \$25,240, coming back to \$10,000 odd. In 1903 the impairment was \$3,240.

In 1904 it was \$1,132.

In 1905 it was \$68,200.

A.—The 1905 impairment must have been from items after the amalgamation and not prior to that time.

Q.—We will be able to follow up the valuation of the Head Office building and so on that enter into that statement, later. Then you have produced a statement, Mr. Pattison, showing the payments made in respect to the stock to different shareholders and it shows that Mr. Wood—is he a Director? A.—Mr. Wood was a Director.

Q.—He got \$1,250. Was that for stock? A.—Well, he got \$1,250.

Q.—But was that for stock? A.—No, \$1,750 was for stock.

Q.—Why do you divide it in two amounts then? A.—Simply to show the distribution of the \$25 per share which I got for the stock and what I paid for it.

Q.—What did you pay for it? A.—\$1,750.

Q.—Why do you divide it into \$500 and \$1,250? A.—For the simple reason that Mr. Stratton gave me this sum, and this sum is what I paid for it. I wanted to get the two items separate.

Q.—You are showing the amount you paid to the directors to get their stock in? A.—That is exactly.

Q.—Was it obligatory on these directors to sell their stock? A.—No, not at all.

Q.—Was it part of their arrangement that they were to pass off the Board of Directors? A.—Not necessarily.

Q.—What was the arrangement as to the future constitution of the Board? A.—Mr. Stratton desired a number of the members of the Board to remain on.

Q.—How many? A.—I don't think the number was ever discussed.

Q.—Did he want resignations in his hands from all of them so that he could choose the ones he would keep?

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A.—You would have to ask him that question.

Q.—Did he stipulate with you for resignations? A.—I don't think he did. I don't recall that he did.

Q.—There was nothing said at all about getting in the resignations of these people from the Board? A.—Except that I was to deliver him a certain amount of stock and that there should be room made on the Board for certain directors of the People's Life.

Q.—How many? A.—I cannot answer that.

Q.—Did he give you names of persons? A.—That he was going to put on?

Q.—Yes. A.—No.

Q.—So that you had no understanding with him as to the number of resignations you were to hand over from your Board of Directors? A.—I gave him the stock of all the directors.

Q.—You gave him the stock of all the directors? A.—I think so.

Q.—Was it stipulated that you should give him the stock of all the directors? A.—I cannot say as to that now. I think that the understanding that he had, or the understanding we had was that he should be able to constitute the Board, to put an equal number of directors from both companies.

Q.—Was it not the understanding that he was to be able to constitute the Board as he pleased? A.—Well, he would do that, owning all the stock.

Q.—Was it stipulated that he should own the stock to enable him to do that? A.—No, I don't think so.

Q.—What was the stipulation as to stock? A.—That I should sell him my stock and get him the stock of the directors of the company so far as I could, in Toronto. Which I did.

Q.—Then the understanding was that you were to get for Mr. Stratton the capital stock owned by the Toronto directors? A.—Yes.

Q.—And without that the transaction would not have gone through unless Mr. Stratton had changed the arrangement with you? A.—I presume that is correct.

Q.—So then you set yourself about getting the stock from these gentlemen. Did you make a uniform proposition to all? A.—Well, I did not set about getting the stock from these gentlemen before the proposition of

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amalgamation was taken up with them.

Q.—With the directors? A.—Yes.

Q.—Then, tell us what you discussed with the directors about amalgamation. A.—The question of taking over the People's Life business was considered, I think, a number of times; I would have to refer to the Minute Book to see how many, and the terms on which it could be taken over and the question of whether it would be to the advantage of the shareholders of the Home Life or not was carefully considered and it was thought, I think, uniformly by every member of the old Board that the arrangement as outlined in the resolution would be of distinct advantage, both to the Home Life and to the People's Life.

Q.—Each one getting a little the better of the other? A.—Not necessarily. The People's Life were having a good deal of difficulty with their work, I understood, and it was believed it would be a benefit to the policyholders of that company if they were admitted to the Home Life, and the acquisition of the business upon the terms proposed was regarded as of advantage to the shareholders and policyholders of the Home Life. To effect the consolidation it was necessary that some of the officers, some of the directors, at least, should step aside.

Q.—To effect the consolidation, it was necessary that all the stock of the Toronto directors should be got in, so that you could transfer it to Mr. Stratton, that is what was necessary was it not? A.—I don't think so, because Mr. Stratton made a proposition to me to take over the business of the People's Life without any—

Q.—I am talking of the arrangement that went through. It was necessary. A.—Yes, that is right.

Q.—Then, when the directors were considering this re-insurance agreement they were aware, were they, that their stock had to be sold? A.—They were aware that it would be necessary to make a change in the directorate?

Q.—Were they aware that their stock must be transferred to Mr. Stratton? A.—I don't think that that is the way the transaction actually was presented to them. It was a question of a change of directorate.

Q.—Say how you presented it to them. A.—I explained what Mr.

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Stratton's plans were in the consolidation.

Q.—Tell us what the plan was? A.—The plans were as they were carried out.

Q.—You told them then, did you, about the \$80,000? A.—No.

Q.—Then, tell us just what you did tell them, let us know how far you went with them? A.—The substitution of certain directors and in the change of directorate the sale of stock, of course, came about. One of the directors would hardly resign his position unless he was selling his interest in the company.

Q.—The directors would not resign their positions? A.—I don't say they would not. I imagine that they would not care to do that, but they were not asked to.

Q.—Why not resign their positions? If the stock was good for the other shareholders it would be just as good for them? A.—It doesn't seem to me to be a reasonable proposition to go to a gentleman who had been a director of a company for 12 or 14 years and ask him to step aside for a newcomer.

Q.—Not even if it assisted in an advantageous arrangement going through for his company? A.—Well, I would rather some one else would have the mission than me.

Q.—Well, that is the view at any rate. So it would be necessary for them to sell their stock. What else did you say to them? A.—They took up the question of the terms on which the business might be taken over and considered that and when those terms had been inquired into had been found satisfactory from the view that they took of the interests of the company, I understand that they were willing to sell their stock as they did sell it.

Q.—You understand that they were willing; what do you mean by that, did some person tell you that? A.—No, they did sell their stock, they were satisfied, they were willing.

Q.—When they found the nature of the arrangement, they were willing to sell their stock? A.—Yes.

Q.—Then was the question of the price of their stock discussed in the meeting? A.—No.

Q.—Why not take that up at the same time and place? A.—Well, I don't think there was any reason for not taking it up, than there was for taking it up? It was a matter for negotiation between each director and myself.



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Q.—Then you paid Mr. Wood \$500 and \$1,250, making \$1,750 in all? A.—Yes.

Q.—That was for his stock, the complete holding? A.—Yes.

Q.—And on selling his stock that would disqualify him from being a director? A.—Yes.

Q.—So that the purchase of the stock involved his going off the Board? A.—Yes.

Q.—\$1,250 of it represented the stock at \$25 a share? A.—Yes.

Q.—Which is the price you were selling it to Mr. Stratton at? A.—Yes.

Q.—And which is the highest price you ever knew stock of the Home Life to be sold at? A.—Yes, that is so, I suppose.

Q.—And then above that there was \$500 for what? A.—I think Mr. Wood had held his stock for 5 years, 5 or 6 years, and he had received no dividends as far as I can recall the transaction. He considered that that was a reasonable price for the sale of his stock.

Q.—Did he consider that that was what his stock was worth? A.—He must have done or else we would not have taken it.

Q.—Do you regard the transaction as taking that form, that he thought his stock was worth that? A.—I think so.

JUDGE MACTAVISH: The \$1,250 or the \$1,750? A.—The \$1,750.

MR. TILLEY: Did he ask anything more than that? A.—No.

Q.—But you did not offer less? A.—No.

Q.—Was it your or his proposition that fixed the \$1,750? A.—I cannot tell that. I don't remember now.

Q.—What form did the transaction take, did you say to him, "Now, if this goes through I will give you \$1,750 for your stock?" A.—Not at all. The transaction, the best part of it, had been agreed upon before the sale of the stock had been agreed upon. Now, I ask you how much he wanted for his stock and he figured it out according to his own way, I don't know how, but I presume taking 6 or 7 per cent. interest on his money for the time and he said he was content to take \$1,750 and I paid him that.

Q.—Then Dr. King, the same transaction there? A.—The same transaction.

Q.—Did either of these gentlemen stipulate for any other benefit they

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were to be given on transferring their stock? A.—No, not with me.

Q.—Did you know of any other benefit they stipulated for? A.—I cannot tell. I have some recollection of Dr. King desiring to have a continuation of his position as Medical Director, one that he had occupied for 16 or 14 years very acceptably. I know nothing about it further than that.

Q.—Dr. King wanted to be continued as Medical Referee? A.—Yes, I have an indistinct recollection of that.

Q.—What was that position worth to him? A.—A very small sum at first and increasing up to \$500 or \$600 at the time or \$700 annually.

Q.—Did you refer him to some person connected with the People's to thresh that matter out? A.—No, I did not refer him to anyone.

Q.—Do you know whether he discussed it? A.—I don't know whether he discussed it with anyone else or not.

Q.—But you understood some arrangement was made with him? A.—Well, the doctor is still Medical Director of the company, or medical referee.

Q.—And, I suppose, that in your mind that would point to some arrangement at the time? He has ceased to be a director, Mr. McLaughlin?

MR. McLAUGHLIN: Yes.

MR. TILLEY: Then, Mr. Diver got \$1,250 for his stock, and \$1,250 besides. Or rather, I do not want to put it that way, in view of your evidence; he got two sums of money, amounting to \$2,500, and his stock at \$25 a share would be worth \$1,250 leaving the \$1,250 besides. Now what was the arrangement with Mr. Diver? A.—It was a sale of his stock. Mr. Diver's position was quite different from any other, with the exception of Mr. John S. King, in that he had been one of the directors, I think from the start of the company, right straight through, and had worked for 12 or 13 years, a good many years, without any directors' fees at all and I believe he was one of the original holders of guaranteed fund stock. I am not sure of that, but I think he had money in the company for 14 years and had received no interest.

Q.—Did you offer him \$1,750. A.—No, I think those are the figures that he asked and the figures that he got.

Q.—Was it his proposition? A.—Yes.

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Q.—Was there any discussion between you as to prices? A.—I think we discussed what other directors had taken for their stock, yes.

Q.—Was he the last one to be settled with? A.—They were all settled together.

Q.—They could not all be settled together, because you did not bring them together. A.—No, but I mean to say, one after another agreed.

Q.—But you did not pay Mr. Diver \$1,250 until you had settled with as many others as you could? A.—I did not pay Mr. Diver until after the transaction was completed.

Q.—And you did not arrange to pay him \$1,250? Or did you go on and close the transaction, knowing that, if the worst came to the worst, you could settle with him at \$1,250, over the \$25 per share? A.—If my memory serves me now I understood that Mr. Diver was willing to take a little less than he did, than he felt he ought to receive, but it was a misunderstanding between him and I, and I accepted his figures.

Q.—I do not quite understand what you mean by that. A.—I mean to say that I think I understood from a conversation with Mr. Diver that he was willing to take a little less than \$2,500 for his shares when the matter was being closed up. Mr. Diver, so understood, that he was to receive \$2,500, and perhaps I was under a misapprehension; I think I was.

Q.—Some misunderstanding between you? A.—Yes, there was a misunderstanding and I was satisfied that Mr. Diver had misunderstood me, and I gave him the cheque for \$2,500.

Q.—Did he stipulate for any other benefit? A.—Not to my knowledge.

Q.—Did he know of the \$80,000? A.—He, I think, knew. I cannot speak for him,—but I think he knew, as the other directors knew, that I was receiving something in addition to the price of my stock.

Q.—Did all the other directors know that? A.—I believe so.

Q.—From something you told them? A.—I don't recall saying to them that I was to receive a certain sum, but I remember a number of the directors saying that they would be glad if I made something out of the years' work that I had put into the company.

Q.—Were they feeling you, do you think? A.—Oh, I think they were

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men that would ask a straight question if they wanted information.

Q.—Would they have got the information if they had asked the question? A.—They would.

Q.—Did you tell a single director that you were getting \$80,000? A.—No, not one of them asked.

Q.—So that Mr. Diver did not know. A.—He didn't ask; I don't know what he knew.

Q.—Did he say anything at all about your being pretty well provided for? A.—I cannot recall the conversation.

Q.—Does not that \$2,500 indicate that Mr. Diver knew a little more about what was going on than the rest? A.—I don't think so. He may have known. He is here to speak for himself.

Q.—Tell us the impression you got; did you not come up in your figure with Mr. Diver because he was a little firmer than the rest? A.—Not at all, because I think Mr. Stratton would have been glad to have Mr. Diver remain on the Board and he could have remained on the Board if he had wanted to.

Q.—Some of them did remain on the Board? A.—Yes.

Q.—Some of these got their stock back? A.—I don't know what they got back.

Q.—You have understood that they got their stock back at \$25 a share. A.—They must have qualified again but as to the terms of the arrangement I don't know that at all.

Q.—Don't you know Dr. King sold the stock to you and then bought it back at \$25 a share, the same number of shares. A.—I don't know that.

Q.—You know it came out here in evidence, did you not? Mr. King I meant, it was the other Mr. King? A.—He must have bought the stock again. I didn't know it, as a matter of fact.

Q.—Then he could not have been treating the purchase money as the price he was selling to you for and then immediately buying it again at \$25 a share? A.—I don't know anything about that. I did not know which directors of the Home Life were going to remain on the Board of the Home Life.

Q.—That was a separate transaction, you had to get rid of them all, all of the Toronto directors? A.—Well, I have explained to you that Mr. Stratton wanted the members of the Board back again but as to who he wanted, I did not know.

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Q.—Then Dr. Briggs, I see, got \$1,750. Tell us the arrangement you made with him. A.—Precisely the same as the other directors.

Q.—Did you mention the price or did Dr. Briggs? A.—I think Dr. Briggs mentioned the price.

Q.—Did he know what the other directors were getting? A.—Not from me.

Q.—Did he know it from others? A.—I don't know that.

Q.—Did you bring the matter up with Dr. Briggs or he bring it up with you? A.—I couldn't answer that, how the subject came up. I presume it came up after the discussion of the taking over of the People's Life business. But as to the initiator, I cannot say.

Q.—Did he get any other advantage than these payments or this payment? A.—Not to my knowledge.

Q.—You know of no stipulation that he made for any other benefit or advantage to himself? A.—I know of none.

Q.—And you have not heard of any? A.—Well, he is Vice-President of the Company.

Q.—Do you know whether it was arranged that he should be Vice-President of the company? A.—I do not.

Q.—Do you know what he paid to get his shares back? A.—I do not.

Q.—From the evidence that came out you know now that he paid \$25 a share? A.—I heard that stated here.

Q.—So that he sold the shares to you and then bought them back at \$25 a share? A.—Yes.

Q.—Which would make the \$1,250, without the \$500? A.—Yes.

Q.—And then he is Vice-President of the company now, you say? A.—So I understand.

Q.—Then J. S. King, his figure seems to have been \$2,000, \$1,250 and \$750? A.—Yes.

Q.—What was the reason for the distinction there? A.—Mr. King was one of the original directors of the company and had been Vice-President of it for about 13 years without any official salary or fee and without directors' fees, for a good many years. And he thought he should have in the transfer of his stock and the resignation of his directorship, some additional sum. That was his stipulation.

Q.—Did he know what the other directors were receiving? A.—I don't know whether he knew or not. I don't remember his asking me what

Home Life. (A. J. Pattison, Ex'd.) the others were getting. He may have known.

Q.—He did not know anything about the \$80,000? From you? A.—Not as to the sum of money, no; I don't know what he knew about that. He was one of the directors of the new company.

Q.—Did you tell him about the arrangement that was made that your contract and Mr. Firstbrook's should be cancelled? A.—I don't recollect telling Mr. King that personally.

Q.—Or any other director? A.—I think it was understood that if we resigned our positions as President or Manager, and gave up our stock, that the contracts terminated.

Q.—That was so, according to the contract? A.—That was so according to the contract.

Q.—And did you not tell them so? A.—I don't recall having made that statement to them. I may have made that statement to them, but I don't recall it now.

Q.—Wasn't it the understanding with these directors that your contract would come to an end merely because you were going out of the company? A.—I think so.

Q.—But they had not in mind any such payment as \$80,000, so far as you know? A.—I don't know what they had in their minds.

Q.—So far as you know they had not? A.—So far as I know they had not.

Q.—You would not have been able to get through at this rate of payment, would you, if they had known that? A.—Well, I would think so, from the statements the directors made to me I would think so. Of course, I don't know.

Q.—When? Before or after they knew about the \$80,000? A.—Well, I don't know at what date they knew of the \$80,000.

Q.—I suppose they knew of the \$80,000, some of them, at any rate, about 3 days ago, when it came out in evidence? A.—Yes, probably.

Q.—That, so far as you know, would be the first that they would know about it? A.—So far as I know.

Q.—So that any discussion you had would be before that knowledge came to them, or have you had some since? A.—No, I don't think we have had any discussion with regard to the amount. I have never been asked by any of the directors what I got at that time.

Q.—“W.A.F.” Who is that? A. W. A. Firstbrook.

Q.—He sold his shares? A.—Yes.



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Q.—Was it stipulated that he should transfer his shares? A.—Yes, that was the understanding I had with Mr. Firstbrook.

Q.—The understanding you had with Mr. John Firstbrook, the President of the company? A.—Yes.

Q.—That if he sold his shares that his brother's shares must be bought too or would be bought? A.—They would be bought. Not a case of must be bought.

Q.—Did you fix the price with Mr. John Firstbrook for W. A.'s shares or did W. A. deal alone? A.—I did not see Mr. W. A. Firstbrook. Both Mr. W. A. and Mr. John Firstbrook were shareholders in the company from the time of its establishment in 1892 up to the date of selling their stock and Mr. W. A. Firstbrook had had no benefit out of his investment.

Q.—Mr. W. A. Firstbrook had \$1,625 of stock; that is about \$400 more stock than the other persons we have mentioned, and yet he got just \$500 in addition to the price of his stock? A.—Mr. W. A. Firstbrook was not a director of the company.

Q.—Then he would get less out of it than the directors because they got their directors' fees? A.—They did for the last 2 or 3 years, but not prior to that time. Two years.

Q.—However, you did not fix the amount with W. A. Firstbrook? A.—I did not.

Q.—Mr. John Firstbrook fixed that? A.—Yes.

Q.—Did he tell you when he stipulated for his brother's shares being taken over, what it would cost you? A.—I don't think he put it in that shape; I think he suggested the price to be paid and I agreed.

Q.—Then, "J. W. C." Who is that? A.—J. W. Curry.

Q.—\$1,250 and \$1,000 under the stock column. What does that mean? That he had stock which, at \$25 a share, was worth \$2,250? A.—He had more than the 50 shares. He must have had.

Q.—Then opposite the 50 shares at \$1,250 there is the item \$500 and opposite the \$1,000 a blank. That means he got \$500 additional with respect to those 50 shares? A.—It would mean that he got \$2,750.

Q.—In all? A.—Yes.

Q.—The person that drafted this schedule seems to appreciate the real transaction, don't you think? A.—I don't think the person who drafted that schedule knew anything about it, sir.

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Q.—Mr. Curry, apparently, by the schedule had 90 shares? A.—Yes.

Q.—Then, how was the price fixed for his shares? A.—In the same way as the others.

Q.—What was the \$500 for? A.—For his share of the stock.

Q.—Was it for his shares or was it for the fact that he had to sell his shares and make way for this transaction to go through? A.—I don't think that it was for the fact that he had to sell his shares because I believe he continued on in the company.

Q.—Just for a short time? A.—The fact of his continuation as a shareholder—

Q.—I suppose that would show that he was there until they were ready to complete their Board, was it not? A.—Of course I cannot say.

Q.—Mr. Curry, apparently, got his stock back, 50 shares at \$25 a share. 50 out of his 90. He sold the 90 and got back 50 at \$25 a share? A.—Yes.

Q.—Did Mr. Curry know what you were being paid? A.—I don't think so. I don't know. You would have to ask him that question.

Q.—You did not tell him, at any rate? A.—I did not tell him.

Q.—Who is "N. F. D."? A.—Professor Dupuis, of Kingston.

Q.—How does he come in this list? A.—He was one of our advisory directors at Kingston.

Q.—Did Mr. Stratton want his shares? A.—I presume so. He bought them.

Q.—Did he stipulate for them? A.—I cannot say that he did from recollection.

Q.—Did any of these directors stipulate that his shares should be taken in by you? A.—Not of those directors.

Q.—Any of the parties that were in the Home Life? A.—No.

Q.—Why was he included? A.—He was an advisory director, or a director at Kingston, I am not sure which.

Q.—Was he included then in the understanding that Mr. Stratton had with you that you were to get stock? A.—I presume he was. I don't recollect Mr. Stratton stipulating that Professor Dupuis should sell his stock in order to make the consolidation, if you want me to say that.

Q.—You would not pay this director \$250 for nothing would you? A.—I don't think it is reasonable to suppose that I would.

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Q.—Then why did you pay him that \$250, was it because you had to turn over that stock or not? A.—I certainly paid him \$250 for that stock and I paid it over. But that it was obligatory, that I was obliged to do that by Mr. Stratton or by Professor Dupuis, I do not think so.

Q.—Or by any person else? A.—Or by anyone else.

Q.—Then can you say why you took his stock? A.—Except that it included all the directors that were here.

Q.—Was he a Toronto director at that time? A.—Yes.

Q.—Then he would be in the list? A.—Yes, he was in the list.

Q.—How is it that he only got \$250? A.—I presume that was the amount he asked. He had not been very attentive at the meetings; he was unable to come on account of his duties at Queen's. He was satisfied to take that for his stock.

Q.—Did he make the proposition or did you? A.—He did.

Q.—Who is "T. E.?" A.—Thomas Elliott of Brantford.

Q.—Was Mr. Elliott a director? A.—Yes.

Q.—Who was Mr. Elliott? A.—A Brantford gentleman.

Q.—On the board of the Home Life? A.—Yes.

Q.—For how long? A.—I think since 1900 or 1901. I would have to refer to the minutes to give you the exact date.

Q.—I would like you to refer. A.—He was appointed a director in 1900.

Q.—Did he attend directors' meetings? A.—Yes, fairly regularly.

Q.—How often? A.—Well, I think he attended nearly every meeting of the Board.

Q.—How often would that be? A.—Quarterly.

Q.—Probably four times a year he would attend the directors' meetings? A.—Yes, and then he was frequently in Toronto and at some meetings of the Executive Committee.

Q.—Had he been receiving directors' fees all the time he was a member? A.—From the time the company began to pay directors' fees.

Q.—Didn't it pay directors' fees from 1900 on? A.—Oh no.

Q.—In what year did it commence? A.—I will give you the information in a moment from the ledger.

Q.—How was it Mr. Elliott had \$1,875 worth of stock at \$25 a share?

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A.—I presume he had been buying stock.

Q.—A recent purchase? A.—I could not tell you that.

Q.—Did he stipulate for the \$625 in addition to his shares at \$25? A.—Yes.

Q.—How did you fix on that odd amount? A.—I think he fixed it.

Q.—That is what he required? A.—Yes.

Q.—Did he know of the transaction you were making? A.—I don't think he knew of what sum was being paid, the \$80,000. If he did he did not know it from me.

Q.—He did not know what the \$80,000 was, that the amount was \$80,000, but he knew there was something being paid, did he not? A.—I did not see him at all. Mr. Elliott had been away and the transaction was closed by telephone or letter to Brantford.

Q.—Then how was it Mr. Elliott was included in the list? A.—He was one of our directors, a Toronto director.

Q.—A Toronto or Brantford director? A.—A Toronto director, although he was living in Brantford.

Q.—Besides Toronto directors, what other directors had you? A.—The local directors, I think were Professor Dupuis and Thomas Elliott and a Mr. T. H. Parker of Woodstock. Then we had advisory directors at other points.

Q.—How was it Mr. Parker's stock was not taken in? A.—Mr. Parker had previously sold his stock. He was not a director at that time.

Q.—Then the other person here is Mr. Firstbrook, and you paid him \$3,375 for one item of stock, did you? A.—Yes. I think that is right.

Q.—"J. F." in both places is Mr. Firstbrook? A.—Yes.

Q.—Then below that you have \$12,475 stock and \$11,150 in addition? A.—That \$12,000 would be the item of my stock, would it not.

Q.—What do you mean by your stock? A.—I sold 500 shares in round figures. Would not that be the item? That does not belong to Mr. Firstbrook. This is Mr. Firstbrook's stock.

Q.—What is that \$120? A.—That is an odd sum paid on some stock that I held which was not fully paid up. The exact amount instead of \$29,100 would be \$29,220.

Q.—Mr. Firstbrook's stock was \$3,375 and he got \$11,150. A.—Yes, in addition to that.

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Q.—Paid by you? A.—Paid by me, yes.

Q.—That was for commuting his agreement? A.—Yes.

Q.—And he thought that was less than the agreement would have been worth to him? A.—Yes.

Q.—But you cannot assist us in saying how he arrived at a larger figure? A.—No, not accurately.

Q.—Did Mr. Firstbrook know you were getting \$80,000? A.—I don't think Mr. Firstbrook knew what I was getting.

Q.—Did he know that your agreement was being commuted in the same way? A.—He knew I was tendering my resignation and giving up my position.

Q.—Did he ask you what money you were receiving? A.—Never.

Q.—He did not discuss with you what your agreement was worth? A.—No, I think not.

Q.—Are you sure that he did not? A.—Well, I am sure enough to say I think not.

Q.—Did you ever give him any figure that you thought your agreement was worth? A.—No.

Q.—And you never told him that the \$80,000 was being paid to you? A.—No.

Q.—Can you explain why he did not ask you that? A.—I don't think that Mr. Firstbrook had any special desire to know what I was getting.

Q.—You think he did not care to know? A.—I don't think he cared to know, no.

Q.—Did he ask you for more than \$11,150? A.—It is \$11,500, is it not?

Q.—\$11,150 it is here, in addition to the stock. A.—I think that is a typewritten error.

Q.—You think possibly the \$11,150 should be \$11,500? A.—Yes, I think that is a typewriter's error in taking the figures off.

Q.—Then was there any discussion as to the amount? A.—Between Mr. Firstbrook and myself?

Q.—Yes? A.—Oh, we discussed it, yes.

Q.—Did you offer a less sum than that? A.—No.

Q.—How did you arrive at \$11,500 or \$11,150? A.—By discussing the matter and taking Mr. Firstbrook's estimate of the value of his contract, which he said was less than the actual value of it.

Q.—Taking his own estimate? A.—Yes.

Q.—And without dickering about the amount? A.—We discussed it,

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Mr. Firstbrook and I, but there was no dicker about it.

Q.—There was no counter proposition by you? A.—No.

Q.—And in fixing it Mr. Firstbrook had no information as to what the real transaction was between you and the People's? A.—As to the amount, I think not.

Q.—Did you know an agreement was being made with Mr. McCutcheon by the new Home Company? A.—I had no knowledge of that.

Q.—No knowledge of that at all? A.—Not at all.

Q.—Did you know that the proposition was to add to Mr. McCutcheon's salary of \$5,000 a percentage of the annual premiums so as to pay this \$80,000 to you? A.—I had no knowledge of that at all.

Q.—No suspicion that that was being done? A.—Not a particle.

Q.—You did not know that this money that was paid to you came out of your own company of which you were Manager? A.—I had no knowledge of that. Absolutely none.

Q.—Did you make any inquiry? A.—No, I made no inquiry.

Q.—Where did you suppose it was coming from? A.—I supposed that Mr. Stratton was buying our stock personally.

Q.—Did you think Mr. Stratton was paying \$80,000 over the \$25 per share, just for the stock? A.—I thought so. I thought he was paying that for our business and the stock of the company.

Q.—And he would be out the \$80,000 as far as the Home Life would be concerned? A.—I did not think so. We had a business of about 4½ millions of insurance and it certainly had some value. It had cost about \$300,000.

Q.—Did you think Mr. Stratton was going to add that \$80,000 to the price of his shares because of the fine business that you had in the Home Life? A.—Well, because of the value of the combined business of the two companies, I thought the shares would represent a very large portion of what he paid.

Q.—That is the 1,164 would be worth what? A.—Would be worth a very large portion of what he paid.

Q.—What portion? Tell me what you think the 1,164 shares of Home Life stock was worth with that amalgamation agreement? A.—I thought it was worth from 200 to 250 for each 100 paid in when I sold it.

Q.—250 per cent.? A.—Yes, I



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would not have sold my stock for \$25 a share to anyone.

Q.—You would not have sold it for what price? A.—I would not have sold it for double that price.

Q.—You would not have sold it for \$50 a share? A.—No.

Q.—If you sold it for \$50 a share you would pass out? A.—Not necessarily. The directors did not elect me on account of the number of shares I had, I don't think.

Q.—But if you sold your stock you could not remain a director? A.—I might cease to be a director, but there was no obligation on me to be a director in order to be Manager of the company?

Q.—The agreement did not stipulate for that? A.—I don't think so.

Q.—It says here, "Managing Director." That seems to be the position. As Managing Director or General Manager. It uses that expression? A.—Managing Director or General Manager. I don't think that it was stipulated that I should be a director.

Q.—What did you consider your services worth? A.—As Manager of the Company?

Q.—What is your time worth? A.—Well, I have received very large salaries and have been offered positions with very large salaries. I don't know whether I would be a good judge of the value of my services or not. I would rather not express an opinion as to that.

Q.—Let us take you at your own price for the present without having really to make a binding bargain? A.—I would prefer not to answer that question, sir.

Q.—What do you consider that your eight years of time that you escaped from rendering service to the Home Life Company was worth? A.—Do you think that would come separate from the 12 or 13 years I had worked?

Q.—Let me ask you what you thought those eight years were worth? A.—I did not think I was being over paid in the contract that was being given me, if that is what you want.

Q.—What did you consider the 8 years of your time worth? You got \$80,000 cash and you were released from serving the company for eight years; what did you consider that worth? What did that represent? A.—I don't know that I can answer that. I don't want to give you an estimate.

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Q.—You cannot add anything to the \$80,000 for that? A.—I did not get \$80,000, did I?

Q.—Well, \$80,000 was what was paid to you; you had to disburse some of that? A.—It was understood that Mr. Firstbrook's contract would be terminated.

Q.—Then let us take 11 or 12 thousand dollars out of that for Mr. Firstbrook, that would leave about \$68,000 for you. Now what will you add to that to represent the time that you were bound to serve the company to get it? A.—I don't know what salary I would get for my services now. I am not a young man now; I was when I started with the company.

Q.—You are just about the same age that you were in 1905? A.—Oh, quite so, I have not grown only a year older in that time.

Q.—Then what would you fix it at your age? A.—I don't think I could give you an estimate Mr. Tilley. I don't know what my services would be worth to anyone.

Q.—What position do you hold now? A.—I am President of three railway companies, if that is what you refer to.

Q.—I refer to what your business is? A.—Well, that is all. I occupy the position of President of the Board of three small railways.

Q.—Are you paid a salary? A.—None at all.

Q.—On what basis are you giving your time now? A.—Well, I have an interest in common with some other gentlemen in those enterprises, that is all.

Q.—And there is no stipulation for any remuneration for you by the year? A.—None whatever.

Q.—No understanding at all? A.—Not at all.

Q.—Are the other parties giving their time to it in the same way that you are? A.—They are, yes.

Q.—So that you are all equally contributing in that respect? A.—We are not equal holders, but we are all contributing to the best of our ability.

Q.—And whatever benefit is derived from your work you reap it in the shares in which you are interested in the proposition? A.—Yes.

Q.—So that there is nothing in connection with that transaction that can help us? A.—Not to fix a value.

Q.—What salary would you take to manage an insurance company if a proposition was made to you now, Mr. Pattison? A.—I don't think I would accept a position as Manager of an insurance company at any salary.

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Q.—Why not? A.—I wouldn't care to go into the work again. I have had 13 or 14 years of it.

Q.—You have had 13 or 14 years of work and you feel that you have come somewhat to the resting point? A.—Well, I don't think I would care to undertake the building up of another life insurance company.

Q.—Do not take a company that has to be built up; take one that is on the full swing of prosperity, the Home Life or any other company that you would choose. What would you take for your services? A.—I would not care to go back into life insurance again.

Q.—The Home Life? A.—No, not the Home Life now.

Q.—Will you tell me what you would accept to manage the Home Life for the next 8 years? A.—I would not go back into insurance again.

Q.—Was that the feeling you had at the time you commenced negotiation with the People's? A.—Not at all.

Q.—What feeling had you then? A.—In respect to a continuation of the work, do you mean?

Q.—Yes? A.—I had consecrated my best efforts, whatever they were worth, to the building of that company and I would have stayed with it as long as I lived to make a success at it, that is all.

Q.—Were you anxious to give up the work of life insurance at that time? A.—No.

Q.—But since you have got away from it, you have no desire to go back? A.—I have gone out of the work that I had tried to build up and I do not want to start in again, that is all.

(Adjourned to 2 o'clock.)

# AFTERNOON SESSION.

Resumed at 2 P.M., September 11, 1906.

MR. TILLEY: With your Honor's permission I will call Dr. Briggs now who wants not to be kept long, and Mr. Pattison can probably stand aside for awhile.

WILLIAM BRIGGS, D.D., sworn, examined by

MR. TILLEY: Q.—You were a director of the Home Life Company when Mr. Pattison was the Manager? A.—Yes.

Q.—Do you remember how long you were a director? A.—I think the end of 1899.

Q.—Down to 1905? A.—Yes, to the time of the amalgamation.

Q.—Did you take any part in negotiating the amalgamation? A.—Not the slightest.

Q.—Who did that so far as you knew? A.—So far as I knew it lay with the Manager, Mr. Pattison and the Vice-President, Mr. John Firstbrook, and I suppose similar officers of the People's Life.

Q.—But for the Home Life they were the persons that negotiated? A.—Yes.

Q.—Then did you discuss the agreement that was drawn up between the company on many occasions in Board meetings? A.—The agreement between the two companies?

Q.—Yes? A.—I cannot recall that we discussed them at any time.

Q.—Did you know the terms of the agreement? A.—No; If I might add a word you see when I went there I was comparatively a new director and the agreement—do you refer to the contract or the agreement between the two companies?

Q.—I refer to the agreement or contract, whatever you call it, the agreement whereby they amalgamated? A.—I know nothing of that.

Q.—You were present at the meeting when it was approved? A.—Yes.

Q.—Did you know the terms of it? A.—No.

Q.—Did not you make any enquiry as to the terms? A.—The statement was made by those in whom we relied for expert knowledge that it was an advantageous amalgamation, that the volume of business that would be gained would be a volume of business at a much less cost than by individual companies.

Q.—You said that was the information you got from the persons on whose expert knowledge you relied? A.—Yes.

Q.—Do you mean any person other than Mr. Pattison and Mr. Firstbrook? A.—Only those.

Q.—You relied entirely on the statements made by the Vice-President or President, whichever Mr. Firstbrook was at the time, and the General Manager? A.—Altogether I did.

Q.—And you were prepared to sanction the agreement on their statement? A.—On their statement.

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Q.—Was the agreement adopted by your Board before you had agreed to sell your stock to Mr. Pattison, or was it all part of the same arrangement? A.—I cannot recall particularly that point.

Q.—You remember that you sold your stock to Mr. Pattison? A.—Yes.

Q.—Did you arrange that with Mr. Pattison? A.—Yes.

Q.—What was he to pay you for your stock? A.—It took some weeks to bring that negotiation of the sale of stock to a conclusion, because I had no wish to sell the stock; I gathered that getting so much volume of business at a cheaper rate would enhance the value of the company in which that stock was.

Q.—Did you take that position, that you did not want to sell your stock? A.—Strongly.

Q.—And did you understand that your stock must be sold along with the other directors' stock before the agreement could be carried through? A.—Oh no, I did not get that idea.

Q.—Why did you sell? A.—Simply because the others were selling; I understood that, Mr. Tilley; and I would be left I suppose alone in that matter, and I thought I would let it go at last, although when I sold that stock I had no intention of putting the proceeds into any other company not for a moment.

Q.—When you sold the stock is it fair to say you had arranged that you would buy fifty other shares from the People's Life or from Mr. Stratton? A.—Oh dear no.

Q.—Did you buy 50 shares? A.—You are speaking of the present company?

Q.—Yes, it is the same Company? A.—No, the two are absolutely independent of each other so far as my transactions went.

Q.—Explain what you mean? A.—That is to say, when Mr. Pattison bought from me my stock there was no condition written or spoken that I was bound in any way to buy stock in the new company or in any other way.

Q.—Was there an understanding you could get the new stock if you wanted? A.—I cannot speak positively as to that.

Q.—At any rate you bought the 50 shares again? A.—Yes.

Q.—What did you pay for them the second time? A.—I paid for them the same as for the old company.

Q.—That is the \$1,250? A.—Just so

Q.—You knew that that was 50 shares in the same company? A.—In a new company.

Q.—It was in the old Home Life? A.—Yes, with a—

Q.—With a new company added to the People's Life? A.—Yes, but the directorate would be part new and part old.

Q.—But the capital stock was the same, it was still the Home Life Company? A.—They christened the amalgamated Company the Home Life as a better name than the People's name.

Q.—That is they kept the Home Life? A.—The name.

Q.—As a going concern? A.—Yes.

Q.—What did you get for your stock when you sold it to Mr. Pattison? A.—I got \$1,750.

Q.—What did you pay for the 50 shares from Mr. Stratton? A.—\$1,250.

Q.—What did the \$5,000 represent? A.—Simply that I was pressed to sell that stock and could get that price, and I want to be there very emphatic on this, because there is something delicate in this matter: I had at that time no condition of agreement in any way that I wished to join or buy any shares in, if you will allow me to call it, the new company; none whatever.

Q.—Calling it a new company does not make it a new company A.—No, but I call it that.

Q.—You sold at the \$1,750 because Mr. Pattison wanted the shares if you could get that price? A.—Because he pressed me to sell, and I could get that price.

Q.—Did you know out of what fund he was going to pay you \$500 over and above the \$1,250? A.—No knowledge whatever.

Q.—Did you know he was getting \$80,000? A.—Let me give an answer to that, I knew no more of that \$80,000 till I read it in the papers, the morning paper of the day after you examined Mr. McCutcheon, and he stated the \$80,000; that \$80,000 came to me there and then, and there and then only; I never knew any definite sum.

Q.—But you knew there was a sum paid? A.—I cannot tell there was even a sum paid, I know that there was a contract and they were commutating the value of that contract.



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Q.—For Mr. Pattison and Mr. Firstbrook? A.—Yes, but what amount, how long that contract lasted, the length of it, I could not tell, the terms of it are not in my mind and what amount of money they would get for its commutation value I never knew, and bye the bye it was said about my being consulted in this matter; now, it is only right to me to say that Mr. McLaughlin and Mr. Warren said to me this morning that Mr. Stratton wanted that corrected. I never consulted a human being for a moment, no human being consulted me.

Q.—About what? A.—About \$80,000, or any definite sum.

Q.—If any statement of that has been made it must be under some misapprehension? A.—I impute no evil intent, but it certainly conveys a wrong meaning.

Q.—Would you have agreed to \$80,000 if you had been consulted? A.—You see I could not answer that question with an insurance knowledge, I am not an insurance expert just as to what it would be worth; if you want a frank answer the sum astonished me.

Q.—Could you give some indication of what sum you thought was passing between the parties? A.—I really could not.

Q.—Half that sum? A.—I never thought half that sum.

Q.—Or quarter of it? A.—In my mind, you mean just passing in my mind?

Q.—Yes? A.—I said to a friend I remember at the corner on the street one day, "Now, these brothers deserve something in the way of commutation, these co-directors," and says I "Why, they may get \$20,000." "Oh no," he said, "they will not get that," but that is the remark of a non-insurance man, not connected with the Home Life or the People's Life.

Q.—If you were discussing that in that way why not ask Mr. Pattison what he was getting, why not inform yourself of the real transaction? A.—Because none of the directors asked that, it seemed to be a purely personal matter between four men.

Q.—Did not you know that \$80,000 was coming out of the Home Life? A.—No sir.

Q.—You know now it is? A.—I know now it is from the papers, and from your remarks and your examination, but I never knew that eighty cents of that \$80,000 came from the Home Life.

Q.—It is shown here by the minutes that a new agreement was made

with Mr. McCutcheon and besides his salary of \$5,000 the agreement provided that he should be paid 5 per cent. on the premium income of the company up to \$11,100 a year—you know that now? A.—I knew that, at the same time only when I knew about the \$80,000.

Q.—That is from the evidence? A.—That \$11,100 came as much of a revelation to me as the other.

Q.—That is to say \$11,100 for ten years would be \$111,000? A.—I did not sum it up or go into the arithmetic.

Q.—That is what it would amount to? A.—Certainly it would.

Q.—Were you present when that agreement was adopted? A.—I saw an agreement as that never passed under my eye. Perhaps I was not present at the meeting, I never saw it.

Q.—I notice that the agreement appears to have been passed when you were there, a meeting held on the 13th October, 1905, at half past two in the afternoon, that was the meeting at which the main agreement was adopted, and then following the main agreement, "Moved by Mr. King, seconded by Mr. Curry, That the proper officers be authorized and instructed to sign the memorandum of agreement dated 13th October, 1905, between the Home Life Association of Canada and Mr. J. K. McCutcheon, as Managing Director of that Company;" then the agreement is set out in full in the minute; and then there is a motion to adjourn made by Mr. Warren, seconded by you. Those minutes then are said to have been read at the next meeting when you were also present, and they were confirmed, and then signed by Mr. Stratton on the 19th October? A.—Perhaps they were very long minutes—

Q.—No, not very long, just the two agreements were ratified? A.—That item of \$11,100 never caught my mind's attention.

Q.—Do you think it is proper that that \$80,000 should be included in that agreement of Mr. McCutcheon's in that way and paid by the Home Life? A.—You see you ask me a question that really in an expert sense I cannot answer.

Q.—You are a director of the company, as a director what would you say? A.—Repeat it again.

Q.—Do you think it was proper that that \$80,000 should be added to Mr. McCutcheon's contract the way it was

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and paid out of the renewal commissions of the Home Life? A.—I think if it had been brought to our attention or my attention—my co-directors will speak about that—I certainly would have objected to it.

Q.—But you have no recollection of it at all? A.—No. I want to be more emphatic still, I query with all my might if such a statement was uttered by the tongue or any paper passed before the eyes of the directors.

Q.—Can you say it was not? A.—No, I cannot, because that may be read quickly as a legal document, as we read them, it is just the usual, “Whereas” of lawyers, and we would not pay much attention to it.

Q.—And it might be—mind you I am not saying there is anything morally wrong in the matter—but I do say this, that that item of \$11,100 is as much a surprise and a revelation and as astonishing to me as the \$80,000.

Q.—You realize now I suppose that the \$500, the difference between the price you got for your stock and the price you paid them again, came out of that \$80,000? A.—I thought that \$80,000 was to be paid by the buyers. If the People's Life paid that sum why did not they pay it?

Q.—They pay it to Mr. Pattison and then Mr. Pattison buys your stock and uses that \$80,000 to give you the \$500 increase in your stock, that is your \$500 comes out of that payment of \$80,000? A.—That is all news to me.

Q.—But you did not inquire at the time it was going through what Mr. Pattison was getting or how he was able to pay you \$500 over the par value of the stock? A.—No; I supposed he was acting in trust for another; but Mr. Tilley, if I might say so, I want to make a clear separation between my selling of one and the buying of the other; it was only when by pressure of friends who were shareholders of the old company, if you will allow me to call it the old Home, that way, that I consented to be a director in the present Home Life Company. I had no intention whatever when I sold the stock of having anything more to do with the matter. It was, “Here is a price I can get for that, the People's Life, getting it at about \$48,900, that is about 25 per cent. instead of 75, and is such a gain that the stock would go up, and it would be worth what I got for it.”

Q.—But did not you know as to the payment of \$48,900 that there

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was another \$48,900 payable in instalments of \$6,350 a year for ten years?

A.—No, in addition to the \$80,000?

Q.—In addition to the \$49,000? A.

—Altogether apart from the \$80,000?

Q.—Altogether apart from the \$80,000, did you know that? A.—No.

Q.—Half the payment for the business of the People's Life was made in cash and then the Home Life stock bought with it, and then the other half was payable in ten instalments of \$6,350 a year, so that altogether it amounted to just double the sum you speak of? A.—I did not know that that would have to be repeated. Here is a grand business bought for \$48,900, you could not get it through ordinary agents with their high commissions and therefore it is so much a grand gain in the way of accumulation or added business, and therefore in all conscience that is about the right price for the stock I am selling, and it was offered to me, and I do not think I took the attention of Mr. Pattison one minute as to the price he would pay me.

MR. KENT: Were all the minutes of the different meetings read to the meeting or were they simply explained by the party in charge of the minute book—we know it very often happens minutes, particularly if they are long, and for some other reasons are not read from beginning to end, but simply explained? A.—It is this way, they will say, “This is a very long minute; I will give you a gist of it;” that is done sometimes.

Q.—Was it done in these cases? A.—I do not know in these particular cases, it has been done at several meetings.

MR. TILLEY: Q.—Did you know the terms of the contract between the Home Life and Mr. Pattison, that is of the old Company, as you describe it? A.—No; you see when I went in that contract was an old contract, in existence, and I said, “Now, the old directors have agreed on this, and therefore there is nothing unwise or wrong about it,” and I never queried that.

Q.—And the same way with Mr. Firstbrook's contract? A.—Yes.

Q.—Mr. McLaughlin would like to know whether you ever looked up the agreements to see the basis of the remuneration or the terms of the contract? A.—Personally I never did, because Mr. Thomas Elliott, a still later director than myself, who is living in Brantford, he did so by word of mouth and by more than one let-

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ter. I says "He is getting this information and there is no use two doing it. I think he got the information just about the time the amalgamation was.

Q.—What information was he asking for? A.—The percentages of the contract and the length of time of the contract and all particulars.

Q.—There would be some correspondence with Mr. Elliott about that? A.—I know the correspondence went to the Manager or the President Mr. Pattison, and also correspondence, I think personal or official, to Mr. John Firstbrook from Mr. Elliott.

MR. McLAUGHLIN: Did Mr. Elliott inform you? A.—He informed me, and he informed me then too.

MR. TILLEY: So that you did know it at this time? A.—Yes.

Q.—Was there any correspondence between you at this time? A.—Simply he was doing his best to get that information, because friends in Brantford knew of it.

Q.—You have already said that you understood that the purchasers were dealing with Mr. Pattison about commuting his contract and Mr. Firstbrook's contract? A.—In my mind I said, "Here is a contract, if you call it, and there is a commutation value to it; these four men are determining what it is worth—"

MR. McLAUGHLIN: Q.—You understood that? A.—I understood just in my own way of thinking, not that any one told me.

Q.—But still you understood it? A.—Yes.

Q.—And you never inquired as to the amount? A.—No, I do not think I ever did, no one ever told me any way.

MR. TILLEY: Was the contract with Mr. McCutcheon there for you to read, if you had wanted to read it? A.—I never saw it on the table.

Q.—Would you say it was not on the table? A.—Perhaps that is going further than my observation would be—let me give you another word, I do not think it was on the table.

Q.—Was the minute available? A.—Yes, the minute book would be there.

Q.—You could read that if you had wanted to? A.—Yes. I have no doubt.

Q.—If you had asked to have the minutes read in full would they have been read in full? A.—Yes.

Q.—You never took the trouble to investigate the matter further than you have told us? A.—No, never took the trouble to investigate concerning the contract; Mr. Elliott

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went into that as fully as any one could, and concerning the \$80,000, I do not think any of the directors knew about that; it seemed to be a personal matter concerning the \$11,100; it came as much a bolt from the blue as the \$80,000 to my mind.

Q.—Did you understand that Mr. McCutcheon's new contract had any relation at all to the old contracts with Mr. Pattison and Mr. Firstbrook? A.—Such a thought I never heard in the Directors' Board. I have not been clear, but my memory does not carry details very well.

JOHN S. KING, sworn, examined by

MR. TILLEY: Q.—You are a Vice-President of the Home Life now? A.—Yes sir.

Q.—Were you a Vice-President of the Home Life before the amalgamation with the People's? A.—Yes sir.

Q.—Did you have anything to do with the negotiations leading up to the amalgamation agreement? A.—No.

Q.—You left that to Mr. Pattison and Mr. Firstbrook or Mr. Pattison only? A.—Mr. Pattison I think principally.

Q.—You looked to him to carry on the negotiations? A.—I considered he was carrying on the negotiations.

Q.—Did you know Mr. Pattison had a contract with the old Home Life which had some ten years to run? A.—I knew he had a contract, how long to run I was not familiar with.

Q.—Did you know it was a long contract? A.—I knew it was some years to run.

Q.—Did you know Mr. Firstbrook had? A.—Yes.

Q.—Did you know the payments that were to be made with these gentlemen under that contract were to be commuted? A.—You mean—

Q.—That they were to have a payment made to them to reimburse them for the loss they would sustain under the contracts? A.—No, I did not know; no one ever told me that, I assumed that if they had contracts that they would be commuted on some basis.

MR. LANGMUIR: But as Vice-President you never inquired? A.—I do not think I ever made an enquiry direct; it would be a sort of understanding.

Q.—You are the Vice-President of the Company? A.—Yes.

Q.—And you did not consider it worth while to enquire what was going on? A.—I did not enquire what



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the details of the arrangement were, I did not know, I assumed—

MR. TILLEY: You knew Pattison was going to be paid some money, didn't you, for himself? A.—Personally?

Q.—Yes? A.—No.

Q.—You say you knew he was going to get some benefit on account of it? A.—I assumed he was.

Q.—And you assumed that Mr. Pattison was going to get some financial benefit to himself? A.—I did, I assumed that.

Q.—Did you think it was right to leave the carrying on of the negotiations on behalf of the company of which you were Vice-President with the Manager who you knew was getting some personal consideration out of the transaction—should the interest of the company be entirely entrusted to a man who had personal interest— A.—I looked upon it largely as a personal matter.

Q.—Did you look upon the whole affairs of the company as something that could be thrown in with his personal interest? A.—No.

Q.—To what extent did you in any way inform yourself as to the real transaction between the parties? A.—I simply deemed that Mr. Pattison was carrying on the negotiations, and the question of his personal benefit I did not consider seriously, I did not know what it was, and did not know it was anything like the figure that had been mentioned, and the principal thing we were discussing was whether it was a good thing for the company and the policyholders and stockholders.

Q.—If you had known that the sum was as large as you now find it to be would you have consented to the arrangement going through? A.—I do not think I would have.

Q.—Does not that show the importance of watching the transaction yourself and see what it is? A.—The transaction was never presented to us.

Q.—You sanctioned it? I think not, sir, any Board meeting or any Association where the \$80,000 was mentioned we did not, I do not think you will find my record of that.

Q.—The \$80,000 was never mentioned until it was mentioned in the witness box except between the persons who were paying it, and getting it, that is admitted all round; you sold your stock? A.—Yes.

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Q.—At the time you sold it had you the chance of buying the same number of shares again? A.—No.

Q.—When did you get that chance? A.—I could hardly call it a chance, because there was stock on the market I could have bought at any time at this figure, or less.

Q.—At \$25 a share or less? A.—Yes.

Q.—At what lower figure could you have bought it? A.—Never made enquiries. I have seen it quoted at twenty, but whether it could be delivered at that I do not know.

Q.—You knew you could always buy it at twenty-five? A.—I felt that could be done.

Q.—You cannot always sell it at 25? A.—I never tried, but I presume it would be more difficult to sell at 25 than buy at 20.

Q.—What were you paid for your stock? A.—There were 50 shares amounting to \$2,000; the total value I got for my interest was \$2,000.

Q.—That is you got \$1,250, which would be \$25 per share of the stock, and \$750 besides? A.—Yes.

Q.—How did you fix on the \$750? A.—There was a portion of that computed on the basis of what the other directors were getting.

Q.—Who told you what the other directors were getting? A.—I understood that from Mr. Pattison, that that was about the price or valuation of the others.

Q.—Did you understand that from any others? A.—I think it was generally discussed, I do not think there was any secret about it.

Q.—About what each was getting? A.—Yes, there was nothing definitely understood that was the price fixed—the difference was made up in this way, there was an annuity—the \$750 instead of the \$500 was simply a payment of an understanding of an annuity to me personally that was due me.

Q.—What are you referring to now? A.—When Mr. Harcourt the previous President retired from the Company he was voted an annuity of about \$300 a year; when Mr. Firstbrook took his position he was not voted anything on account of the contract he had as Chairman of the Executive; therefore it was agreed and understood mutually that that annuity to the President should be paid to me on account of several years I have been in there.

Q.—Who was that agreed between, between you and Mr. Pattison? A.

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—Mr. Pattison, Mr. Firstbrook and myself, three practically, I do not think you will find it in the minutes; it was generally discussed broadly; that was never paid or insisted upon, but when there was practically a transfer of the company I thought it an opportune time to adjust that matter.

Q.—That accounts then for the \$250 extra on your amount? A.—Yes.

Q.—If you had understood Mr. Pattison was getting \$30,000 it would have been more still? A.—I think so.

Q.—How much would you have wanted for your share then? A.—I would not have wanted any more than would have been a fair division.

Q.—When did you agree to buy back 50 shares? A.—It was two or three weeks afterwards.

Q.—Oh no, because the very same day you were appointed Vice-President of the new Company? A.—These negotiations, it may be according to the minutes, the same day, but negotiations were going on before that.

Q.—And delayed? A.—Yes.

Q.—Was it delayed for any special reason? A.—No, there were reasons they were not completed through Mr. Pattison. I do not know.

Q.—At the time you actually transferred your stock and resigned your position you knew that you would get 50 other shares from Mr. Stratton or his company? A.—Not at all.

Q.—Not when you resigned? A.—No; I was visited twice by Mr. McCutcheon to invite me to go on the Board, and the first time I declined because I had been in insurance I thought long enough, and had lost enough money and spent a good deal of time, but he represented the advantages of the amalgamation in such a brilliant way and its future that I consented, but there was no deal that I should go on.

Q.—The minutes show that? A.—They may.

Q.—Here is your resignation signed on the 12th October? A.—Yes, I can explain this quite clearly. All this here occurred simultaneously; when I speak of the time of the transfer I do not speak of the actual time this was all done, but the time it was approached and we agreed to do it.

Q.—You are speaking of the time you agreed to resign rather than when you did resign? A.—Yes, all this practically occurred the same day.

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Q.—You paid \$25 a share for your new stock? A.—Yes.

Q.—And you were loath to do it? A.—Yes, I would not have done it had it not been I thought the future perhaps looked a little better than the past, and that the amalgamation was a beneficial one, and I believe it is yet.

Q.—You would not have regarded that stock as being worth \$25 a share unless the stock was improved by the amalgamation? A.—I think the amalgamation made a great improvement.

Q.—And without the amalgamation it was not worth \$25 a share as a financial transaction? A.—As an investor, not interested, I doubt if I would have paid \$25, I am not sure though.

Q.—Do you remember Mr. McCutcheon's agreement coming before the new Board when you were present as Vice-President? A.—Yes.

Q.—Was it read? A.—I am not sure whether it was read in detail or not.

Q.—Did you know there was a clause in it whereby he was to get \$11,100 a year? A.—Broadly speaking I understood that agreement with Mr. McCutcheon was practically the same as Mr. Pattison's agreement, it was you might say an assignment, tentatively the same agreement, that is the way it was put and understood; I could not go into the details of it, I do not know.

Q.—Did you know that included in Mr. McCutcheon's contract a provision to pay back the money that had to be paid to Mr. Pattison on his agreement? A.—No, I did not know that.

Q.—How did you understand it? A.—I assumed that that agreement, both his agreement and Mr. Stratton's agreement, the assignment of the same that the increased business somewhat would compensate them for the money they paid.

Q.—Compensate whom? A.—Mr. Stratton and Mr. McCutcheon.

Q.—So that you thought the compensation to them would come out of Mr. McCutcheon's agreement? A.—Mr. McCutcheon and Mr. Pattison, because they both had assignments of agreements.

Q.—What agreement? A.—Did not Mr. Stratton have the assignment of Mr. Firstbrook's agreement?

Q.—We have not seen it yet, if there was such a document? A.—I do not know whether he did or not.

MR. McLAUGHLIN: The document has been put in.

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MR. TILLEY: It all relates to the same agreement.

MR. McLAUGHLIN: The actual assignment is to Mr. McCutcheon.

MR. TILLEY: That is to say the old agreements were assigned to Mr. McCutcheon as well as the new agreements?

MR. SHEPLEY: Have we those documents?

MR. TILLEY: No.

Q.—MR. McLAUGHLIN: It is all in the same agreement as to the stock.

MR. TILLEY: Mr. McLaughlin is referring to the agreement whereby Mr. Pattison agreed to sell some stock and assign his agreement and Mr. Firstbrook's agreement, but there was no formal assignment other than that.

MR. McLAUGHLIN: No.

WITNESS: I assume those agreements would compensate them for the exact purchase.

Q.—You understand Mr. McCutcheon's agreement was to take the place of these old agreements? A.—Yes.

Q.—And work out the payment of money in order to compensate them for what they would have to pay under the old agreement? A.—Yes.

Q.—Then you knew your \$750 was coming out of that money, that was the source? A.—Indirectly, Mr. Stratton was buying the stock and it was his personal money that bought it; how he could recoup himself, if it were through this agreement it would be indirectly, I did not figure it out where—

Q.—You understood it was coming indirectly in that way to you, didn't you? A.—It never was presented just that way before. Mr. Stratton paid his personal money and gave his personal cheque for the stock. Part of the money that was paid to me was a debt of the company pure and simple; the other part was an increased price I asked for my stock.

Q.—Which the stock was not worth; that is to say you were getting money for stock in addition to what you were prepared to sell the stock for, there is no question about that? A.—No, I cannot admit that for a moment. I think not; I may be able to buy stock at a price, but my association and connection with the company I would not have sold less than \$150 to any one.

Q.—Although you did not want to buy again in a better company? A.—As an investment I do not think I would have; there were certain con-

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nections there that I was relinquishing, I thought it was a good price, a fair value rather.

Q.—Was any arrangement made with you as to how long you should be director when you were appointed by the Company, if you choose to call it such? A.—No.

Q.—No understanding with you at all? A.—None whatever.

Q.—You were not to take the place temporarily, but you were to be a permanent director so far as you knew? A.—Yes.

MR. KENT: I suppose we may assume you know that all these sums that have been paid or promised must be paid eventually by the policyholders of the present Home Life Insurance Company? A.—I cannot see it that way; these agreements, we had to have a manager, and we had to have other help, and we made certain arrangements and contracts for the conducting of the business years ago, I assumed by the assigning of these contracts to the new President and Manager without increased cost, and with very much increased business was certainly a benefit to the stockholders and the policyholders, because they were contracting for a larger amount of business at a decreased expense. Mr. Stratton is not drawing any moneys from the Home Life.

Q.—You are getting away from my point; I asked you who is it that pays these expenses; let us assume they were perfectly legitimate, is it not a fact that it is the policyholder that pays the expenses? A.—All expenses of the company are certainly paid by the premiums received of course.

Q.—If you take twice as much out of the loading of the premiums as it is fair to take is it not a fact that the policyholder, and he only, pays the piper? A.—He pays simply what he agreed to pay on the policy, and the profits of the company are subject to its expenses from year to year.

Q.—He agreed to pay a certain premium for the privilege of sharing in profits; the agent never forgets to show him that these profits are going to be enormous; therefore he is led to take a policy with profits. He pays on the understanding that he will share in the profits; if the directors or management of the company pays out in expenses or otherwise sums which they had no right to pay out are not those sums paid indirectly by the policyholder—that is what I want you to admit? A.—



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I think there is no doubt but what it reflects, the higher the expenses it would reflect upon the profit, but I do not think this can hardly be classed in that; I do not think without knowing positively, that if you think the company that has been running as long and the total expenses paid for management under that agreement, and divide that into the years, that you will find that out of the way.

Q.—You already stated a few minutes ago that had you known this agreement for \$80,000 was going through you would not have been a party to it, you would not have consented, therefore I am assuming you disapprove of that payment—if you approve of the payment it becomes another question? A.—Yes.

Q.—It has been shown here that minutes of meetings where in important matters were dealt with had not been read—that in itself I consider was a serious matter—one director after another stepped into the box and calmly acknowledged that at meetings at which he was present important transactions may have been put through under his nose, and he does not know the first thing about it; then it is a question whether the policyholder has not serious cause for complaint at the way in which these matters have been conducted—

MR. McLAUGHLIN: Mr. King is evidently not a director of that kind; he evidently understood everything.

MR. KENT: Mr. King said he did not know whether the minutes had been read or not; he said had he known what was going through in connection with this \$80,000 he would not have approved of it.

WITNESS: I looked upon that as a personal matter between Hr. Stratton and Mr. Pattison.

Q.—It is quite a personal matter because one pays and the other receives, and the man that pays loads the amount on the policyholders of the Home Life, and gets it back from them; that is why I say the policyholder—I won't say he has a good cause to get back the money, that is foreign to our business—I say he would have very reasonable cause for complaint because his policy is mortgaged to pay back this \$80,000.

MR. McLAUGHLIN: There is this point that does not want to be lost sight of in this, that these contracts of Firstbrook's and Pattison's were made many years ago, and the obligation existed in the Home Life to

Home Life. (Frederick Diver, Ex'd.)

carry them out, assuming they are legal—

MR. KENT: These contracts could have been read completely and fully, and every director present could have been made to understand them, and they would have understood them, and very likely would have passed them, and there might have been no mistake.

MR. McLAUGHLIN: I agree with you there is no excuse for a director coming into the box and saying he sanctioned contracts that he did not read; but Mr. King is not in that position. Mr. King fully read the contracts and signed them in this case as Vice-President. Here is about \$80,000 that was an obligation, whether properly incurred or not, of the old Home Life Insurance Company, to Pattison and Firstbrook, and the Home Life Assurance Company are still paying it, there is no doubt about that.

MR. SHEPLEY: Without knowing it.

MR. McLAUGHLIN: Not as far as any director who attended to his business like Mr. King is concerned; he fully knew it.

FREDERICK DIVER, sworn, examined by

MR. TILLEY: What is your business? A.—Publishing business.

Q.—You were a director of the Home Life? A.—Yes.

Q.—And you sold out your 50 shares of stock to Mr. Pattison? A.—Yes.

Q.—And you got \$2,500? A.—Yes.

Q.—\$1,250 would represent the stock at \$25 a share? A.—What I paid for it.

Q.—Did you know that Mr. Pattison was being paid \$80,000 or any other sum? A.—No sir.

Q.—You did not understand he was getting paid anything? A.—No, I understood there was a deal between Mr. Stratton and himself to negotiate; the first proposition was to sell us the People's Life, which we turned down, and then the next thing I heard, it was not from the Board I heard it, but I heard it outside that there were negotiations for buying the Home Life.

Q.—That is the first transaction involved, the Home Life taking over the People's policies? A.—Yes, that was the idea.

Q.—That transaction you say you, as one of the directors along with the other directors refused to entertain? A.—Yes.

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Q.—Then you heard that the proposition had taken a new shape whereby the management of the Home Life was to pass over to the People's, was that right? A.—Well, to the management of the People's Life.

Q.—And to Mr. Stratton as President and Mr. McCutcheon as Manager? A.—I did not know Mr. McCutcheon at all, I just knew Mr. Stratton.

Q.—You heard that on the street? A.—Yes sir.

Q.—Who did you see about it then, Mr. Pattison? A.—I think I brought it up at one of the meetings there, I mentioned it at one of the meetings and when I got some information.

Q.—What information did you get? A.—I was informed that there was something going on in connection with that.

Q.—By whom? A.—By Mr. Pattison.

Something going on, is that all?

A.—Yes.

Q.—You got to that state of knowledge? A.—Yes.

Q.—What happened next then? A.—I think there was some question whether I would sell my stock.

Q.—Who asked you whether you would sell your stock? A.—Mr. Pattison.

Q.—And then you knew he was going on a little faster, I suppose? A.—Yes.

Q.—What did you say to Mr. Pattison? A.—I was not anxious to sell.

Q.—What did you say to him? A.—I thought that as the company had been in existence so long, I was one of the original, one of the first to go in the company, I thought we ought to be able to run our little company ourselves without selling out at all.

Q.—Is that what you told Mr. Pattison? A.—Yes, I never told him personally, but I told the Board, I was not in favor of selling out at all.

Q.—What action was taken then? A.—It finished up that we sold out anyway.

Q.—What was the negotiation whereby you reached the sum of \$2,500? A.—Mr. Pattison came to my office and I think he referred to being a sick man, something like that, and that he thought he would like to get out of the business, and I told him that he could and it need not interrupt the business; if he was sick the business would go on.

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Q.—Let us get to where he commenced to talk the way you expected him to talk? A.—I cannot recall except that Mr. Curry came up and saw me one night at the Club and said the thing was practically closed and what would I take? I said I would take \$2,500.

Q.—Did you discuss with Mr. Curry what Mr. Pattison was likely to get out of it? A.—No.

Q.—You did not say anything like that at all? A.—No.

Q.—Did he say that was more than he had got? A.—No sir,

Q.—Was he asking you to fix a price? A.—Yes.

Q.—Who was he representing? A.—Mr. Pattison.

Q.—That is Mr. Curry came to you for Mr. Pattison to get you to fix a price and you said \$2,500? A.—Yes.

Q.—That was the first time you mentioned any amount you would take? A.—There were offers.

Q.—What offers had been made to you? A.—I think the offers, I was informed, that some of the rest were getting \$1,500.

Q.—That would be \$1,250 for stock and \$250? A.—\$250 bonus; of course I would not accept that.

Q.—Was any intermediary offer made? A.—No.

Q.—Who told you they were getting \$1,500. Mr. Pattison? A.—I could not say that he told me—

Q.—Were you the last director who agreed to sell? A.—I think I was. I am sure.

Q.—The ruling price was higher when it got to the last? A.—I suppose it was.

Q.—That was the only reason you got more than the rest? A.—I guess that would be the way.

Q.—Mr. Pattison apparently got it so near through that he could afford to pay you something more, if you had known it was \$80,000 he would not have got out so easy? A.—No, I think I would have tried to get more for it.

Q.—Have you taken him to task at all about being so stingy in the matter? A.—No, I have not spoken to him since about it.

Q.—Was there any negotiation about your remaining as a director in the new company? A.—No.

Q.—Did you get any other promise made to you at all than the stock? A.—No.

Q.—Do you know whether there was any consideration to any members of

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the old Board of Directors than the money they got? A.—No, I do not.

Q.—Were you there when Mr. Pattison's original contract was put through? A.—I believe I am one of the signers of that contract.

Q.—You are one of the Committee? A.—Yes.

Q.—You are the gentleman who can tell us all about it? A.—I cannot tell you much.

Q.—Why? A.—It was practically put before me.

Q.—By whom? A.—I could not tell you who drew the contract up.

Q.—That is in 1898? A.—That contract would be the one in which Mr. Pattison's and Mr. Firstbrook's is embodied—

Q.—That is the 15 year contract? A.—I think that is the one.

Q.—You say you did not discuss it with them before the meeting? A.—I was put on the Committee, I was added to the Committee; the other two agreed to the amounts and it did not look very large at that time, as we were not doing the business, it looked a very small amount at that time, and it struck me it was all right.

Q.—That is you did not appreciate what the contract would mean at the end of five or ten years? A.—No, we were a small company at that time, and I was not versed in insurance business.

Q.—Mr. King was on that Committee with you? A.—Yes sir.

Q.—And yourself and Mr. Hillock, I suppose Mr. Hillock had no more to do with it than the other two? A.—I do not think he had any more to do with it than I had.

Q.—So that it was an arrangement that was practically shaped up by the Manager? A.—I do not know who shaped it up, I had nothing to do with it.

Q.—Except to sanction it? A.—Yes.

Q.—No portion of the commissions under these contracts, either of them, was ever paid to you? A.—Not a cent.

Q.—Or any other director so far as you know? A.—Not as I know of.

DR. JOHN S. KING, sworn, examined by

MR. TILLEY: Q.—How long were you a Director of the old Home Life Company? A.—From its organization.

Q.—Was this report your report or Mr. J. S. King's report? A.—Mr. J. S. King's.

Home Life. (Dr. John S. King, Ex'd.)

Q.—You knew then of Mr. Pattison's contract and Mr. Firstbrook's? A.—Yes.

Q.—Did you take any part in the negotiations? A.—I do not know any— A.—No.

Q.—Mr. Pattison, so far as you know, carried on the whole of the negotiations? A.—I did not know anything about who were carrying them on.

Q.—You attended meetings did you not? A.—I did not hear any particulars at the Board as to the negotiations.

Q.—What did you know about that, tell us the history of it? A.—Mr. Pattison told me that he was in communication with another Company but he could not give the name of the party with whom the Home Life would have negotiations, but later on would.

Q.—That satisfied you did it, for the time? A.—Yes, we had nothing definite about that.

Q.—There was no arrangement made then? A.—No.

Q.—What happened after that? A.—In what way?

Q.—What happened, the transaction was carried through, you have told us how you were informed that some negotiations were on but you were not told with whom? A.—Yes, I heard very little at the meetings. I heard that certain conditions of the business of the People's Life, and the proposal was to take over that business, and then there was a counter-proposition, at least not a counter one altogether, but another proposition by which the management of the People's Life desired to secure a controlling interest in the Home Life.

Q.—So that was changed from a proposal that the Home Life should take over the People's to an arrangement whereby practically the People's were to take over the whole management of the Home Life? A.—That is what I understood, had a controlling interest.

Q.—Were you consulted with regarding the terms of the re-insuring agreement between the Home Life and the People's Life? A.—No sir.

Q.—It was brought up at the Board and discussed, was it? A.—I don't think it was ever discussed fully at any Board meeting.

Q.—Did you ask as to the terms of the Agreement between the Home Life and the People's? A.—No, I did not ask it, Mr. Pattison himself told me that if the present directorate were to sell out their stock



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to the People's Life they would have a controlling interest.

Q.—That the People's would? A.—Yes.

Q.—Then you knew of that part of the arrangement that the Directors of the Home would sell their stock to the persons in control of the People's, and that would pass over the control of the Home Life to the People's? A.—He did not say we were to do so, he said if we did so.

Q.—What was the proposition you heard to carry that through, were you asked to sell your stock? A.—I said with reference to the stock, are we all expected to sell out? He said, "Well, you can do as you like about that; I don't know as it is necessary for you to sell out if you wish to stay in." I said, "Is there any sum fixed or any term fixed as to what the stock should bring?" and he told me. I said "Are we all to receive—"

Q.—What did he tell you? A.—He told me the amount, the original \$1,250 on the \$5,000 stock would be increased by \$500, we would get \$750 if we sold.

Q.—Was that at a Board Meeting? A.—No. I did not hear any such propositions at the Board Meetings, and I said "Will they all get alike?" He said "Yes." I did not decide then, but I decided the day before the matter was concluded. I told him that I had arrived at the decision to sell my stock. He did not ask me to sell; he said I could do as I liked, that I would be all right he thought, in a new company.

Q.—Were you assured that by any person else, that you would be all right in a new company? A.—I had not any assurance from anybody on that point just at that particular moment.

Q.—When did you get an assurance on that point? A.—I could not tell you now.

Q.—Before you transferred your stock? A.—No; I kept no memorandum of that, but I interviewed—after I found out that Mr. Stratton was the party with which he was dealing, I interviewed him to know whether there would be any change in the Medical Directorate. He said he had not given that any consideration. I asked him what proposition he thought would be carried out, whether they would bring over the officers from the new company into the Home Life. He said, "Well, we might have two Directors; you might stay and we might bring over the other one." However, it was left over, that was a matter decided afterwards. It was

Home Life. (Dr. John S. King, Ex'd.) finally determined that I retain the position.

Q.—Did you sell your stock before you had the understanding that you were to keep your position? A.—No, I had my understanding that I would be Medical Director before I sold my stock, and then said "I will sell my stock with the rest."

Q.—And you knew as to the arrangement between the two companies? A.—No.

Q.—So that having satisfied yourself as to your own position and having got a bonus of \$500 on the amount you have paid on your stock, you resigned your position as a Director so as to let other Directors come in and put through the transaction without knowing what the transaction was? A.—I understood that all were to receive the same addition to their original purchase.

Q.—Who was to pay that? A.—That was to come from purchasing parties buying the stock.

Q.—You did not know Mr. Pattison was getting a lump sum which he was dividing around as compelled to in order to get in the stock? A.—I presumed he was getting the same amount as the rest, because he said they were all getting equally.

Q.—You thought Mr. Pattison was getting \$500 like the rest of you? A.—Yes.

Q.—However, you had no suspicion he was getting \$80,000? A.—No, I had my suspicion about it afterwards when I thought the matter over that a man would not be giving up his salary and contract without getting something for it, but I did not think of that until after I sold my stock. I came to the conclusion that as the matter was undergoing such a change I had no particular desire to be a director any longer if I could sell my stock at a good advance on what it cost me I would be very foolish not to do so.

Q.—Did you cease to be a Director then? A.—Yes.

Q.—Did you take fifty shares of new stock? A.—No sir.

Q.—You do not hold any shares of stock in the new Company at all? A.—No.

Q.—As to the moneys and the arrangement made between the Companies themselves you know nothing? A.—No.

Q.—And never made any enquiries? A.—I am down and out of it.

Q.—On being satisfied yourself you let the company take care of itself? A.—I did not feel after I had dis-

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posed of my stock that I had any reason to prosecute the enquiry further, that in time I suppose I would find out a great deal I would like to know, and have found out a good deal.

Q.—Were you counting on an insurance investigation then to get your information? A.—Well I don't know what I was.

Q.—You knew of course that on the new directors going in that they would be carrying through some arrangement between the two companies? A.—I would naturally suppose so, I did not know anything about it.

Q.—You knew the transaction on one side would be the People's Life and on the other side the Home Life? A.—I knew from Mr. Stratton that I could remain if I wished to.

Q.—The transaction would be between the People's Life and the Home Life, and you, as Director of the Home Life, got \$500, and the promise of a permanent position, and you let the People's Life put through a transaction like that with this Company? A.—I did not give the matter consideration in that light; I gave the matter consideration that Mr. Stratton probably, may be with a syndicate of friends, had sufficient money to put up and purchase the stock, and that they would in that way have the controlling interest as shareholders.

Q.—And the control would be worth to them eight or nine times \$500? A.—I did not for the moment suppose there was any money to come out of the company to do it; I presumed the Syndicate would raise the money.

Q.—If you had insisted on being informed as to these things before you let it go through you would have known that? A.—Probably I would not have been informed; I was informed of very little.

Q.—Was it not the fact that you realized, and the other Directors realized that the full information was not for you, in the way that there was some transaction going on that you were not parties to? A.—Yes sir, I realized that fully.

Q.—That all you people had to do was to be satisfied with giving up your stock? A.—I had nothing further to be interested in.

Q.—Except your position as a Director? A.—I had given that up.

Q.—I think you said you did not make any enquiry at all as to the

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nature of the transaction from any person? A.—Nothing more than was casually mentioned to me.

Q.—By Mr. Stratton? A.—I did not say so.

Q.—By whom then? A.—I told you what Mr. Pattison said.

Q.—By Mr. Pattison and Mr. Stratton; but you never asked Mr. Stratton for details of the transaction further than that? A.—No.

Q.—Did you ask Mr. Pattison for further details? A.—I think anything I asked him for he told me with the exceptions of saying it has not gone sufficiently far that I can give you any further information at the present time.

JAMES WALTER CURRY: Sworn,  
Examined by

MR. TILLEY: Q.—You were a director of the Home Life before the amalgamation? A.—Yes.

Q.—For how long? A.—I could not tell you, for some years, I could not just say how long.

Q.—You were not in the company at any rate when the contract was made with Mr. Firstbrook and Mr. Pattison as a director? A.—I am satisfied I was not, I knew nothing about it at that time.

Q.—That is 1898? A.—No, I was not.

Q.—Can you fix the time when you first knew the details of those agreements? A.—I could not give the date, I know the question came up in the Board of Directors at one time and the contracts were asked for, and they were produced by Mr. Pattison, and that was the first I saw of them.

Q.—Could you say to what extent you appreciated at that time what it might involve in some years, such contracts as this? A.—I saw that in some years if the company grew it was going to be a very valuable contract.

Q.—Was any comment made about that? A.—I don't know whether there was outwardly, I know—

Q.—Inwardly there was? A.—Inwardly there was. I think I did say something about Mr. Firstbrook's contract. I am not quite sure as to that; it may have been only inwardly.

Q.—The negotiations it is said were carried on with Mr. Pattison for the Home Life, and I suppose that is correct? A.—Which negotiations?

Q.—That is with the People's? A.—As far as I know.

Q.—You did not carry on any negotiations with the People's? A.—I

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knew there were negotiations going on, but I had nothing to do with carrying them on.

Q.—Nor settling the terms? A.—No.

Q.—Any discussion you would have would be a casual discussion with the parties who were negotiating? A.—That is the only discussion I had, and I did not ask for details.

Q.—Did you know the transaction that Mr. Pattison was making with the officers of the People's Life or with the People's Life? A.—I knew there was a transaction whereby Mr. Pattison was to give up his position in the Company, and was, as I understood, to transfer his stock.

Q.—Did you know he was to get something in payment for that? A.—I had not any doubt in my own mind he was to but I did not know the amount, nor did I ask.

Q.—When did you first learn the amount? A.—I did not learn the amount till I saw it in the newspaper; that was the first I knew of the amount.

Q.—That is since the enquiry commenced? A.—Yes.

Q.—Starting with that feature of it, knowing that Mr. Pattison had a personal transaction that he was putting through, as well as the Company's transaction, didn't you think it your duty as a Director to enquire into the arrangement that was being made? A.—I did not appreciate that he was dealing as a company transaction; I presumed he was dealing as a matter personal to himself; I felt he had a contract there that was of value to him and he had a contract with the Home Life, and I felt it was a matter he was dealing principally with as a personal matter, and I was pretty busy myself at that time, and I don't think I gave it very much consideration.

Q.—You regarded the negotiations as principally with regard to his personal position? A.—Having regard to his holding and his position.

Q.—To what extent did you enquire as to the arrangement the Company was entering into? A.—In respect to the purchase of the insurance of the People's Life?

Q.—Yes? A.—I enquired into that closely because they were making a contract which would be to the detriment or to the advancement of the Home Life, and I made enquiry in regard to that, and amongst the information which I received was in-

formation which was communicated to the Board once that Mr. Pattison had laid all the facts before Mr. Fitzgerald or Mr. Blackadar, I am not sure which, as to the transaction being one that the Home Life ought to enter into.

Q.—Would not you rather question now about laying all the facts before Mr. Blackadar or Mr. Fitzgerald or any person else? A.—I do not presume it is for me to question anything in connection with the matter.

Q.—You are passing your opinion upon that, while it may have satisfied you at the time do you think now that all the facts would have been laid before him? A.—I don't know that I know the condition now in which the People's Life was at the time, whether it was a good transaction or a bad transaction.

Q.—Can you say what the arrangement was? A.—I cannot.

Q.—Did you ever know? A.—My recollection was that they were taking over the whole amount of insurance for which they were to pay a certain lump sum of money.

Q.—Do you know what the money was? A.—If my recollection is right it was some place in the neighborhood of \$90,000; I may be wrong in respect of that.

Q.—Do you know on what basis the \$90,000 was fixed? A.—Fixed upon the annual premium of the insurance.

Q.—That is a sum to equal the annual premium? A.—No, my recollection is that the amount was not equal to one annual premium.

Q.—Then that would, I think, not be quite in accordance with the agreement, although that might be the understanding you had? A.—I am now speaking from recollection in respect of a matter I did not have

Q.—Did you know the Home Life had been offering only \$15 a thousand for other companies' insurance? A.—I do not catch the import of the question.

Q.—Did you know the Home Life had other negotiations with other companies, and had only been willing to offer as high as \$15 a thousand for the other companies' insurance? A.—I cannot say I did.

Q.—That seems so from the minutes.

MR. McLAUGHLIN: They did not get it? A.—I understood there was a negotiation for the purchase—



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MR. TILLEY: Q.—Of the Farmers & Traders? A.—No, I do not remember that at all, I was not present, I am quite satisfied, at any meeting of Directors when such a Resolution came up, I may have been and it may have escaped my mind entirely since, but I feel quite sure on that point.

Q.—What was the negotiation whereby you fixed \$500 and \$1,250 as the price that you were to receive before transferring your shares? A.—I don't know that it was ever fixed.

Q.—\$1,250, and then you had \$1,000 besides of stock? A.—I had other stock besides.

Q.—What was the arrangement you made then? A.—I don't know that I could say there was any arrangement at all definitely made in regard to the matter; the matter was left pretty well in Mr. Pattison's hands.

Q.—Did you transfer it and let him deal with it? A.—Yes, I said that I thought my money had been invested there for some time and I ought to have something over and above the price I paid for my 50 shares of stock for the time my money had been invested and the time I had given, and I did not consider, I certainly would not do the work I had done in connection with the Home Life for \$500.

Q.—Did you understand Mr. Pattison was to pay you that sum whatever was fixed? A.—I understood it would be paid in connection with the transaction, I did not know how it would be paid.

Q.—Nor the source of the money? A.—No, I presumed it would come in some way from Mr. Stratton, or Mr. Stratton's associates.

Q.—You knew Mr. Pattison would not be out the money at any rate? A.—I would not be sure as to that.

Q.—Did you think he ought to be out the money? A.—My feeling in regard to the matter was that Mr. Pattison was making the arrangement and I left the matter entirely in Mr. Pattison's hands to make such arrangement as he felt he fairly could in the transaction. What I said to Mr. Pattison was, "If you want this thing to go through and it is any advantage to you, I don't care so long as I get my own money out of it;" That is the position I took with Mr. Pattison straight.

Q.—Did you in any way leave it in such a position that you feel now you have any further claim against Mr. Pattison in connection with that stock? A.—I do not feel I have any

further claim against Mr. Pattison at all.

Q.—Mr. Diver says you came to him about his stock? A.—I did.

Q.—As the representative of Mr. Pattison? A.—I would not say as the representative of Mr. Pattison; Mr. Pattison spoke to me about it, and asked me if I would see Fred., as he put it, in regard to the matter, and I did speak to Mr. Diver, my recollection is over the phone.

Q.—Did he say to you he wanted \$2,500? A.—I think that was the amount he said.

Q.—Did you tell him that was more than any person else was getting? A.—I did not that I know of.

Q.—What did you say to him, no comment between you as to whether that was possible or not? A.—My recollection is now I did not say anything to him about whether it was more or less than anybody was getting. He asked me what I was going to get out of it, and I said I did not expect to get anything of the kind out of it. My recollection is he said that is the least as far as he was concerned he was willing to take and it dropped at that.

Q.—Did he in any way refer to what he thought Mr. Pattison was accomplishing for himself? A.—I think he said then that he guessed Mr. Pattison was making a good thing out of it. I said I did not know whether he was or was not.

Q.—And you did not hazard to guess about it? A.—I did not make enquiries in regard to the matter at all.

Q.—When you found it was \$80,000, was that more or less than you thought? A.—Very much more than I thought.

Q.—The other directors seem to feel the same way about it; you got 50 shares of stock subsequently and became a director, did you not? A.—Yes sir.

Q.—Do you still hold the 50 shares? A.—I do not.

Q.—Did you buy them and resell them? A.—I bought them and resold them.

Q.—How long did you hold them? A.—I could not say.

Q.—Did you hold them for a temporary purpose? A.—No, I bought them for permanence, and I sold them subsequently.

Q.—Did you lose money on them? A.—I lost the interest on the money during the time I had them.

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Q.—You just got your principal back? A.—Yes.

Q.—You became a director of the new Board, so to speak? A.—Yes.

Q.—Was Mr. McCutcheon's Agreement presented to that Board? A.—My recollection was it was presented, but I was in and out of the Board Meetings a good deal, at that time I was very busy, and I was interrupted and had to go out; I know I did not read the Agreement with Mr. McCutcheon, I am quite sure of that.

Q.—Was it understood that you were to be a Director merely until somebody else was appointed? A.—I did not so understand it.

Q.—Why did you resign? A.—It was a matter that was personal entirely to myself, had not anything to do with either the company or anything else.

Q.—Nothing to do with any of the officers of the Company? A.—No.

Q.—That is to say, if it was not for your own personal matters you might still have been a director? A.—I certainly would have.

Q.—I was asking you that just to find out? A.—That is if the shareholders at the Annual Meeting had continued me.

Q.—You say by reason of being in and out you might not have noticed this Agreement? A.—I am satisfied I did not read it, and I am satisfied I was not there when it was read, but I am not quite sure that I was present at the meeting.

Q.—Your name is here as being present, and you were moving some of the resolutions? A.—That is quite possible.

Q.—In fact, you seconded the Resolution that Mr. McCutcheon's Agreement be adopted? A.—Often things were put down as being seconded without being really seconded by the people whose names went down in connection with the matter.

Q.—Apparently it is moved by Mr. King, seconded by Mr. Curry that Mr. McCutcheon's Agreement be adopted; when did you first know there was a clause in Mr. McCutcheon's agreement that he was to get \$11,100 a year over and above the \$5,000 salary? A.—I don't know it yet.

Q.—You heard nothing about it in any way as a Director of the Company? A.—Heard nothing about it as a Director of the Company.

Q.—If you had known that clause was there, you would have known where the money came from? A.—I

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might have, I cannot say what I would have thought.

Q.—Mr. Stratton says you must have known about that, because no Director could see that Agreement and not know there was something behind it? A.—I did not see the Agreement between Mr. McCutcheon and the other people at all.

Q.—Did you know the Home Life was paying that money? A.—I did not.

Q.—You did not know the \$500 that came to you was really coming from the Home Life indirectly? A.—I did not.

Q.—Probably if you had known that you might have dealt with the matter a little differently? A.—I will tell you candidly, I do not know that it sheds any lustre upon myself, I felt that I had not been taken into the confidence of the parties at the time the thing went through, and as I had done some work as Solicitor for the Company, I thought I ought to have had something to do with the preparing of the Agreements, and when I did not I thought possibly it was a personal matter between Mr. Pattison and Mr. Firstbrook, and I was a little diffident in looking at the Agreement in a manner I would have done if it had not been for that.

Q.—That is to say, your professional position rather restrained you— A.—I felt the document was drawn up as I supposed by Mr. Warren, and I felt that I should have had something to do with the drawing of the document, as I had been doing some solicitor work for the Home Life and for Mr. Pattison in connection with the matter, and I felt it was a matter apparently personal between Mr. Stratton and Mr. Pattison, and I did not enquire into it, as I could have done, I was a little diffident in looking at it for that reason.

Q.—That gives the whole story, does it, so far as your knowledge goes, as to the amalgamation between the two companies—did you understand, Mr. Curry, that the old Agreements with Mr. Pattison and Mr. Firstbrook were assigned to Mr. Stratton or any of the other officers or Mr. McCutcheon? A.—I understood so.

Q.—You understood the obligation of the old company on those contracts was to be in some way carried through to the new? A.—I understood they had been assigned, but I had an idea they were to be cancelled, there was some talk of cancelling them.

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Q.—If these gentlemen dropped out of the Home Life there would be nothing more to pay them? A.—Yes.

Q.—Do you mean that they were being assigned for the purpose of getting rid of them? A.—I must say that was the idea I had in my mind, whether justly or unjustly, I had that idea, rightly or not rightly.

JOHN FIRSTBROOK, sworn. Examined by MR. TILLEY:

Q.—Did you enter the Home Life Association at the same time that Mr. Pattison did? A.—I believe it was the same time.

Q.—In connection with the same negotiation? A.—Yes.

Q.—How came it that an agreement was entered into with you for 15 years as Chairman of the Executive Committee? A.—The matter was one that was taken under consideration by the members of the then Board of Directors, and considering the services that had been rendered for so many years, practically without remuneration, and that the company could not pay a large amount for some considerable time, that it was only fair and right that an agreement should be made covering a reasonable period.

Q.—At first apparently the Committee recommended that the arrangement should be for life? A.—Yes.

Q.—That is to say you were to be appointed Chairman of the Executive Committee during the balance of your life? A.—Yes.

Q.—That was made in 1898? A.—Yes.

Q.—What was the object of such a provision as that in the interests of the company? A.—Well now I cannot say, that is a matter for the Committee.

Q.—Whose proposal was that? A.—I cannot say that.

Q.—Mr. Diver and Mr. King have been here, and Mr. Hillock is dead? A.—Yes.

Q.—So that Mr. Diver and Mr. King seem to know very little about the agreement.

MR. McLAUGHLIN: Mr. King was not asked about that report.

MR. TILLEY: He was asked about the making of the agreement.

MR. McLAUGHLIN: Oh yes, he fully understood that, but he was not asked about the report. Until after Dr. King came in you did not know that he was Mr. King? A.—I asked him about making the agreement.

MR. McLAUGHLIN: My recollection is that Mr. King was not asked that question.

Home Life. (John S. King, Ex'd.)  
(J. Firstbrook, Ex'd.)

MR. TILLEY: I will recall him.  
DR. J. S. KING, recalled. Examined by

MR. TILLEY: Q.—Did I ask you about the original agreement with Mr. Firstbrook and Mr. Pattison? A.—Yes.

Q.—What do you say about it? Let us clear it up? Did you know anything about the settling of the terms of it? A.—I knew what was in the agreement of course.

Q.—Were you a party to the settling of the terms? A.—The minutes will show that. I think I was. There were two or three agreements.

Q.—This is the first one with Mr. Firstbrook? A.—Was there a second one?

Q.—No, only one with Mr. Firstbrook, and the last one with Mr. Pattison? A.—Were the two with Mr. Pattison?

Q.—Yes, there is the report. Mr. Diver does not seem to know much about the making of that report? A.—Mr. Diver knows just as much as I do about it. It is here and we discussed it. This was in 1898.

Q.—Was it something that was proposed by Mr. Pattison and Firstbrook, or something proposed by you and the other members of the Board in order to secure them? A.—I think this was proposed by Mr. Firstbrook, and a special Committee of these gentlemen was selected by the Board to arrange with them.

Q.—The proposal came from Mr. Firstbrook so far as you remember? A.—Yes.

JOHN FIRSTBROOK, recalled. Examined by

MR. TILLEY: Q.—Was that right? A.—I think that may be right so far as it goes.

Q.—What was your proposal with reference to the terms? A.—My proposal was a general one with reference to the terms. My remembrance is that I had nothing whatever to do with it, that the Committee met—

Q.—Did you propose that the agreement should be for the balance of your life? A.—From memory I would say no.

Q.—Do you know who did propose that? A.—I do not.

Q.—Did you suggest it as between you and Mr. Pattison or did Mr. Pattison suggest it? A.—The term.

Q.—Yes? A.—I would not say positively as to that.

Q.—Whose idea was it to get the agreements in shape? Yours or Mr.



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Pattison's? A.—I think it was first Mr. Pattison's.

Q.—That you should both have contracts running over a length of time? A.—That would be my remembrance.

Q.—There was no difficulty, I suppose, in the settling of terms? A.—I do not know.

Q.—None that you remember of? A.—I had no part in it so far as I remember, any more than the report was submitted to me, inquiring if it was satisfactory.

Q.—Did you in any way compute what the agreement might be worth to you in the period of 15 years? A.—At that time?

Q.—At that time? A.—No, I did not.

Q.—Have you ever computed what it might be worth to you? A.—Well, in a rough way I think I have.

Q.—When did you do it? A.—Last year.

Q.—When the amalgamation was going through? A.—Yes.

Q.—What did you consider it worth to you? A.—Well, I considered under that agreement that I would receive during the term approximately \$25,000 or perhaps more.

Q.—You thought approximately under that agreement you would receive \$25,000? A.—And perhaps more.

Q.—Covering the balance 15 years? A.—Yes.

Q.—That would depend entirely on what amount of business was written by the company? A.—Certainly.

Q.—And that would depend upon the way the business was shoved, I suppose? A.—Yes.

Q.—The way it was forced? A.—Yes.

Q.—As an insurance man do you regard that sort of an agreement as an objectionable agreement, paying officers on the basis of the amount of business they can get on the books? A.—I think it is a common practice.

Q.—I did not ask you anything about the common practice. I am asking you whether from your experience as an insurance man you regard that as not an objectionable agreement to sign with officers of the company? A.—No, I do not consider it objectionable.

Q.—You think that is a proper agreement? A.—Yes.

Q.—To pay them a percentage on the amount of business that is put on the books? A.—I think so.

Q.—Did you take up the negotiations for entering into the arrangement with the People's Life? A.—

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Yes. That is, I was consulted with reference to it.

Q.—You were the President of the Home Life? A.—Yes.

Q.—Mr. Pattison carried on the negotiation? A.—Yes.

Q.—Did you carry on the negotiation at all? A.—None at all.

Q.—You left it to Mr. Pattison? A.—Yes.

Q.—Did you know that Mr. Pattison was arranging for a payment to himself, out of which he was to pay you something? A.—I did.

Q.—Did you discuss with him what he should demand? A.—I did not.

Q.—Did you discuss with him before the demand was made what you would require? A.—Yes.

Q.—How much did you say you would require? A.—I said that I should receive \$15,000.

Q.—That would be basing it on what you thought that contract would be worth? A.—Yes, considering the length of time it had to run, and my future—not presuming perhaps that my services, if I were still living and in good health, would be done away with by the Home Life at the end of the period of the contract.

Q.—You took into account not only the whole period the contract covers, but the chance of continuing in that position? A.—To a certain extent, yes.

Q.—Did you regard the re-insuring agreement between the Home Life and the People's Life as a fair and proper contract, or did you know the terms of it at all? A.—I knew the terms of it.

Q.—Did you regard it as a fair contract? A.—Yes.

Q.—One that was in the interests of the Home Life? A.—Certainly, or I never would have consented to it.

Q.—The Home Life could not carry it through without you and Mr. Pattison being got out of the way? A.—In what way do you mean that?

Q.—The arrangement could not be carried through without the sale to Mr. Stratton of your shares. You knew that? A.—Oh I think part of the consideration was that Mr. Stratton would be the President and Mr. McCutcheon the Manager.

Q.—That is not quite an answer to my question. I am asking you whether the transaction between the Home Life and the People's could have been carried through without you transferring your stock? A.—So far as the Home Life was concerned.

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Q.—You could not carry through the transaction with one company without the consent of the other? A.—Just so. So far as the Home Life is concerned I think it could.

Q.—And so far as the People's are concerned it could not? A.—Perhaps it could not.

Q.—Well, surely not. It could not be carried through so far as the People's were concerned, so far as you are concerned unless you and the others transferred your stock? A.—I am not prepared to say what was in the minds of Mr. McCutcheon and Mr. Stratton in reference to that matter.

Q.—In your mind? A.—I do not think I considered it in that light.

Q.—Did you not have it pretty clearly in your mind that you and Mr. Pattison were in a position to some extent to dictate what you were to be paid, otherwise you would stop the agreement going through? A.—No, I had not.

Q.—You had not that in your mind? A.—No, I never thought of dictating in any shape or form.

Q.—You knew unless you were settled with the People's would not come into the transaction? A.—I presume so, but I was not positive.

Q.—But still you could trade a good deal on that, could you not, in the condition that existed at that time? A.—I may say candidly that I did not trade on it.

Q.—Then you could have done so in the condition things were in? A.—Well, that feature of it had not occurred to me.

Q.—Did Mr. Pattison discuss with you what he was going to take? A.—He did not.

Q.—Did you know what he asked? A.—I did not.

Q.—Did you know it was \$80,000? A.—I did not.

Q.—When did you first know that? A.—When the evidence was given before the Commission.

Q.—Then so far as the Home Life is concerned that information did not get beyond Mr. Pattison? A.—As far as I know.

Q.—Did you ask him for the information? A.—I would not say positively that I did.

Q.—Apparently not a Director of the Home Life asked Mr. Pattison what the real arrangement was, that seems to be so does it not? A.—I cannot speak for the other Directors.

Q.—Well, from the evidence we have here. You would have heard them all? A.—I presume so.

Home Life. (J. Firstbrook, Ex'd.)

Q.—You say you cannot say positively that you asked him, if you had in your mind, that you in any way indicated that you desired the information? A.—I think I intimated to Mr. Pattison that he might tell you.

Q.—That he should tell you? A.—I do not know that I put it that way.

Q.—As between yourselves that you ought to know? A.—I do not think so. I do not think it went that far.

Q.—I do not understand the expression that he might tell you. A.—I do not think I put it exactly that way, but was there any objection to his telling me.

Q.—What did he say to that? A.—I think he evaded the question.

Q.—He evaded the question? A.—Yes.

Q.—You did not proceed any further? A.—No.

Q.—Was that before you had agreed on your own amount or after? A.—That was after.

Q.—After you had agreed on your own amount? A.—That is my remembrance.

Q.—Did Mr. Pattison take a different view from you as to what your contract was worth? A.—Yes, slightly different.

Q.—What position did he take about your contract? A.—Well you know the result between the difference, what I thought it was worth and what it was settled at.

Q.—Was not that amount \$11,100 that was put in—was that the amount, or was it \$11,500? A.—\$11,500.

Q.—Was that amount not a compromise between what he thought and what you thought? A.—Yes.

Q.—You have given what you thought. What did Pattison think? A.—I think you have it in the \$11,500.

Q.—That was a compromise? A.—Practically it was very nearly what he thought.

Q.—What did he think? I should like to get Mr. Pattison's appreciation of your contract, and then we will understand how he would view his own. A.—I think he thought about \$11,000 so far as I remember.

Q.—He thought that would be a fair value for yours? A.—Yes.

Q.—Did he compute it by figuring out for you how much it would be? A.—No.

Q.—Was there any computation made? A.—No, not an actuarial computation.

Q.—Not an actuarial computation, but you would say how quickly you thought the business would grow, and Mr. Pattison would say how quickly

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he thought it would grow? A.—I do not think that feature of it was touched upon.

Q.—What was the feature that determined the value? A.—I told him about what I thought would be the probable income.

Q.—The growth of the business? A.—And the thought it would be so much less.

Q.—I should like to know from you, if you can tell me, what Mr. Pattison's ideas were at that time when he was the person that had to pay rather than the person that had to be paid? A.—Well I think it was about \$20,000 odd, \$22,000 or \$23,000; that is my remembrance.

Q.—What? A.—The probable income from that.

Q.—From your contract? A.—Yes.

Q.—\$22,000 or \$23,000? A.—Yes.

Q.—In Mr. Pattison's opinion? A.—Yes, I think that was his opinion.

Q.—How did he bring it down to the \$11,000? A.—About half of the amount.

Q.—Would be yours? A.—Yes.

Q.—So that Mr. Pattison figured out that the probable benefits of the two contracts— A.—No, no.

Q.—Why do you say half the amount? A.—Because I would not have to give my services.

Q.—So that in your case he was estimating something for the time you would have at your disposal when you were freed of the work? A.—Yes, that was taken into consideration.

Q.—So he divided it by about 2, and made yours about \$11,000? A.—Yes.

Q.—And there was no discussion about his own? A.—No.

Q.—Did you know what business Mr. Pattison was going to follow then? A.—No.

Q.—Is he associated with you now? A.—Yes.

Q.—You are one of the persons that is associated in the business he was telling us about this morning? A.—Yes.

Q.—So that your interests in that respect are still common? A.—Yes.

Q.—Did you know who was to pay Mr. Pattison the money he was getting? A.—I presume that Mr. Stratton was paying it, in fact I think Mr. Pattison told me Mr. Stratton was paying it.

Q.—Did you understand whether he was going to pay it out of his own pocket or not? A.—I do not know whether I had a direct understanding, but certainly I expected he was paying it out of his own pocket.

Home Life. (J. Firstbrook, Ex'd.)

Q.—Did you not know it was coming back out of the Home Life? A.—I did not.

Q.—Had you any idea of that? A.—Not the slightest.

Q.—Did you suppose that Mr. Stratton was going to pay you in respect of your shares \$11,000 odd, and then deal with Mr. Pattison besides. Where was all that money coming from? A.—Well, Mr. Stratton is a wealthy man, and he wanted the control of the company, and I understood he was willing to pay for it.

Q.—And that is the basis on which you entered into the arrangement? A.—Yes.

Q.—You had no idea in your mind that the Home Life was to pay you what you were getting? A.—Not the slightest.

Q.—Were you paid the amount of that in cash? A.—I was.

Q.—Was it paid in cash, or did it enter into any other transactions between you and Mr. Pattison? A.—It was paid in cash.

Q.—At the time it was paid to Mr. Pattison? A.—The next day.

Q.—That would be the day following the meeting? A.—Yes.

Q.—So that you have told us now the whole transaction relating to the amalgamation? A.—Yes.

Q.—The President and the Vice-President, and all the Directors other than Mr. Pattison stand by knowing that a transaction is going through whereby Mr. Pattison is getting money personally, and they do not inquire as to the terms, or become conversant as to the arrangement except each in so far as it concerns himself? A.—We looked upon it—at least I looked upon it—as a transaction between Mr. Pattison and Mr. Stratton, and not a company transaction at all.

Q.—You knew an arrangement was to be made between the Home Life and the People's? A.—Yes.

Q.—And you were going to step out of the way and let the People's directorate deal on both sides of the contract for both companies? A.—We arranged the terms before we went. We were very solicitous and careful as to that, that the terms should be arranged and placed on the books before we stepped out. We would not have stepped out without doing that.

Q.—Did you settle the terms? A.—So far as the basis of settlement and the terms were concerned, that was settled before we left the Home Life.

Q.—Did you know what the terms were? A.—100 per cent., one year's premium.



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Q.—Is that all you understood about it? A.—Well, I do not remember the details of the contract.

Q.—Did you think Mr. Pattison was getting as much as \$80,000? A.—No, not quite that much.

Q.—How much did you think he was getting? A.—I thought he was getting between \$70,000 and \$75,000.

Q.—What made you think that? A.—Having in view his contract, and the service he had rendered to the company.

Q.—But Mr. Stratton was not paying for the service he had rendered to the company. What made you think that Mr. Stratton was paying him \$70,000 or \$75,000. What fixed that amount? A.—Because he was willing to pay that to get control of the company.

Q.—From whom did you ascertain that? Mr. Pattison or Mr. Stratton—that that was about what he was willing to pay? A.—Well no, I do not know that I ascertained it from Mr. Stratton. I do not know how I got it in my mind.

Q.—So far as any precaution you took was concerned, Mr. Pattison might have got \$100,000 or \$150,000, and it might all have come out of the Home Life? A.—I would not say that.

Q.—Why not? A.—I did not expect any one cent of it to come out of the Home Life.

Q.—So far as any precaution you took as President of the Home Life, Mr. Pattison, who was making the whole deal for himself, might have taken \$100,000 or \$150,000, and the Home Life pay it just the same as he took the \$80,000. Is that not so? A.—I do not think so.

Q.—Did you do anything that would prevent that? A.—Well what could I have done.

Q.—You could make Mr. Pattison tell you the arrangement, and if he did not tell you you could refuse to sign it or be a party to it? A.—What difference would that have made—supposing I had known it was \$80,000?

Q.—Would you have carried it through if you had known it was \$80,000? A.—What could I do.

Q.—And if you had known it was coming out of the Home Life? A.—Oh, I had nothing to do with that; that was a subsequent matter.

Q.—I am told that was known at the time, that it was part of the arrangement? A.—It was not known to me.

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Q.—I am told that Mr. Pattison actually suggested that himself? A.—Not to me.

Q.—Not to you, but he was the man that you were leaving everything to, to transact. I am told the suggestion was from Mr. Pattison to make the Home Life pay it? A.—I never had the slightest intimation of anything of the kind.

Q.—I am pointing out to you to what a small extent you were watchful at the time? A.—My understanding of the matter was that Mr. Stratton was willing personally to pay that money for the control of the company.

Q.—You see you cannot point to any person as distinctly telling you anything of the kind. You have an impression about Mr. Pattison, but if any person misled you as to the true transaction then you should tell us who it was that misled you, but if no person misled you, then because you imagine Mr. Stratton was willing to pay it, that does not help you any. Was there any person that said anything, Mr. Pattison or any person else, that Mr. Stratton was going to pay that out of his own pocket? A.—Well, I would not say that distinctly.

Q.—Mr. McLaughlin wants to know whether you did not understand that your contract and Mr. Pattison's contract were being assigned to Mr. Stratton or his nominee? A.—Yes, I think I understood that.

Q.—What was the object of transferring them to Mr. Stratton? You were not to be paid any more money. Who was to be paid the money? A.—I do not know that I understand that question.

Q.—What was the object of transferring the agreements to Mr. Stratton? Were they being transferred to Mr. Stratton for the purpose of being kept alive against the Home Life Assurance Company? A.—I did not understand so. As far as mine was concerned, from all that I remember I did not think it was assigned to Mr. Stratton at all.

Q.—Was it not understood by you that the Home Life was to continue paying as it had been paying under those contracts? A.—No, I did not expect so.

Q.—You thought all payments by the Home Life would stop when that transaction was carried through? A.—Under those contracts.

Q.—Or any contracts in substitution for those contracts? A.—I have

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not thought of any contracts in substitution for those.

Q.—Mr. McLaughlin wants to know what you thought Stratton was paying you for if it was not to have the contract transferred to him? A.—Well, he got my resignation.

Q.—You thought Mr. Stratton was paying you that sum of money to resign. Is that right? A.—For the privilege of cancelling the contract.

Q.—That is to get your contract out of the way? A.—Yes.

Q.—Mr. McLaughlin wishes to know if any person told you that? A.—Well, as a matter of fact I do not think I signed any transfer of that contract, and I did give my resignation.

Q.—Did you ever see the agreement Mr. Pattison signed? A.—I did not.

Q.—The agreement Mr. Pattison signed stipulated that he should secure some transfer of his own contract and of your contract, but you did not see that contract at all? A.—Not that I remember.

Q.—Don't you think you should have seen it? A.—I did not know there was a contract.

Q.—Don't you think you should have found out whether there was one? A.—Well, I agreed to give my resignation.

Q.—The whole Home Life was bottled up in Mr. Pattison, who was dealing for himself? A.—I agreed to give my resignation, which I gave.

Q.—That is all about that transaction, but I should like to ask you about another matter to save you from coming back again. The Home Life Company bought some Grand Valley bonds? A.—Yes.

Q.—And loaned on others; is that right? A.—I believe that is correct.

Q.—Who conducted the negotiation with the vendor of the bonds or the borrower of the money? A.—Partly by Mr. Pattison and partly by Mr. Pattison and myself.

Q.—I understand loans were made through the year 1904, during March, April, May, June, August, September, October and December; amounting to \$51,713.33; then \$7,001.17 were repaid, leaving \$44,712.16 at the end of the year. Can you say that that is right from memory, or can you verify that? A.—I cannot from memory say that that is correct.

Q.—Is it about correct? A.—I should judge it was correct if it was taken from the books of the Company.

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Q.—That is taken from the books of the company. Can you say whether the company at the time it made those different advances, either by way of purchase money or loan, received bonds of the Grand Valley railway as security? A.—In the early part of 1904 the company agreed to take so many bonds, \$30,000 or \$30,000 odd, I believe, and, of course, those bonds could only be issued as the road was built. I believe they took orders on the Trust Company for the delivery of those bonds and they got the control of the stock of the company and had it in their possession.

Q.—Who did that? A.—The stock was in the name of the Manager of the Company, Mr. Pattison, and Dr. Ickies, manager of the construction company, in their names in trust.

Q.—Dr. Ickies was the Manager of the Von Echa Company which was building the road? A.—Yes.

Q.—And before building the road it received all the bonds and stock? A.—I presume so.

Q.—And the bonds were probably issued through a trustee to be delivered as the work progressed? A.—Yes.

Q.—And you say these payments were made by your company to the Von Echa Company? A.—Yes.

Q.—And as the payments were made, you took orders on the trustees to deliver the bonds to you? A.—No, I think we took an order for the whole of the bonds at first, and had the control of the stock of the company before we gave a dollar.

Q.—You had the control of the stock? A.—Yes.

Q.—Under the names of your Manager and Dr. Ickies? A.—Yes.

Q.—You say you agreed to purchase \$30,000 of bonds? A.—Yes.

Q.—At what price? A.—At 90, with the 50 per cent. bonus stock.

Q.—Who carried on that negotiation as to price? A.—Mr. Pattison and myself.

Q.—Was it verbal or in writing? A.—It was verbal.

Q.—In what month? A.—It was the early part of the year.

Q.—Was it March? A.—I think it was March.

Q.—Now \$30,000 of bonds at 90 would be \$27,000? A.—Yes.

Q.—You had paid out as much as \$51,000 and over, and at the end of the year it was \$44,000 and over. How did the excess of the \$27,000 come to be paid up? A.—

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Does that include the previous purchase of bonds, or is that just simply that particular transaction?

Q.—That does not include the original thirteen. On the 31st December the sum of \$18,052.62 appears to have been paid to the Home Life Company. I should like to know who paid it? A.—I presume it was paid out of the receipts from bonds. Bonds were being sold.

Q.—How would that money come to be paid in on the last day of the year? A.—I could not tell you that.

Q.—Mr. Pattison would have to give that? A.—I think so, but remember, Mr. Tilley, we had a much larger amount of bonds in our possession than we had purchased during all that period.

Q.—Probably that is a matter that Mr. Pattison could speak more about. I want to ask you about it as leading up to something that I should ask you. A.—I know this about it: that Dr. Ickies was wanting money to construct that road beyond the bonds we purchased, and we made him advances more than that—

Q.—Mr. Pattison will be able to give the details? A.—Yes.

Q.—After the People's Life amalgamated with the Home Life you appear to have transferred the Home Life, or some shares were transferred which Mr. Pattison has told the accountant for the Commission were transferred to the Home Life by you? A.—Yes.

Q.—How many shares? A.—150 shares.

Q.—Why were those shares transferred after the amalgamation of the two companies? A.—Just this way: while the company undertook to underwrite those bonds at 90 and 50 per cent., Dr. Ickies was selling them at 85.

Q.—To other parties? A.—No, to these parties. He agreed to give them to us at 85, and if we accomplished a certain amount of sales, \$100,000 or over, he would give an additional stock bonus. We paid him the 85—at least the Homestead Company paid him the 85 for the bonds. The Home Life paid 85, and one per cent. to the Homestead, making 86—the actual cost price, in pursuance of an understanding between Mr. Pattison and myself. When the balance of the bonds were sold early this year, I think in February, the balance of the stock was transferred, 150 shares, to the Home Life and 100 shares to the Homestead, making 100

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per cent. to them on the purchase of the bonds, the Homestead having purchased \$20,000 and the Home Life \$30,000. They completed the transaction when the sale of the bonds was completed.

Q.—The transaction was this: that there was a syndicate to buy? Was that right? A.—Well, the Homestead were the purchasers virtually.

Q.—The Homestead Company—you mean by that the Canadian Homestead and Savings Company? A.—Yes, they were the trustees.

Q.—What position did you occupy in that company? A.—I was President.

Q.—What position did Mr. Pattison occupy? A.—He was Manager.

Q.—Were you a substantial shareholder? A.—Nominal.

Q.—What do you mean by nominal? Tell me how much did you hold? A.—I had \$1,000 cash in it.

Q.—Is that all? A.—That is all; it was not a large capital.

Q.—What was the capital stock of the company? A.—Something about \$1,000 paid up.

Q.—Had Mr. Pattison a large holding? A.—I cannot say from memory.

Q.—You do not know what holding he had? A.—No.

Q.—That company entered into an agreement with the Von Echa Company to take how many bonds? A.—\$100,000.

Q.—That arrangement was made by you and Mr. Pattison? A.—Yes.

Q.—Both of you being officers of both the Homestead Company and the Home Life Company? A.—Excuse me, when this agreement was made I was not President of the Homestead Company.

Q.—You were the Vice President? A.—It was not made with me.

Q.—What agreement? A.—It was made with the then President of the Homestead.

Q.—Who was he? A.—Mr. Hillock.

Q.—Do you say you were not a party to that agreement then? A.—I was a party to it; but not a party to negotiations.

Q.—At the time the Homestead entered into that arrangement it was understood the Home Life would take \$30,000 worth of bonds? A.—Yes.

Q.—And the Homestead would take \$20,000? A.—Yes.

Q.—And dividing it in that way you had arranged for the whole block that the Homestead was to take? A.—How do you mean? They were to take \$100,000. That was only half.



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Q.—Where was the other half to go?  
A.—The other half was to be sold.

Q.—Were you to take some? A.—  
Yes.

Q.—How many? A.—\$10,000.

Q.—And how much was Pattison  
to take? A.—\$10,000.

Q.—Any other persons that you  
had arranged with at the time? A.—  
Not that I remember.

Q.—Do you say there were only \$70,-  
000 arranged for? A.—That was all  
that was arranged for at that time.

Q.—Then you made an arrangement  
with Dr. Ickies that if \$100,000 worth  
of bonds were placed, you would get a  
certain additional bonus? A.—Yes.

Q.—How much? A.—An additional  
50 per cent.

Q.—If you did not sell them all what  
was to be the result? A.—I think we  
were at his mercy.

Q.—In what respect? A.—With respect  
to the additional stock.

Q.—With reference to the additional  
50 per cent. of stock? A.—Yes.

Q.—When did you get the additional  
50 per cent. of stock? A.—It was de-  
livered to me at the same time that  
I transferred it to the company.

Q.—I am told by the accountant  
that you got it in March, 1904? A.—  
Yes. It was not given to me at that  
time. It may have been put in my  
name, when the agreement was made,  
but it was not given to me.

Q.—It was transferred to you at  
that time? A.—Yes.

Q.—Did the manager of the Home-  
stead Company actually assume the  
obligation of underwriting \$100,000  
worth of bonds or not? A.—Yes, I  
think I did.

Q.—Having assumed that obliga-  
tion, was not that 50 per cent. of stock  
transferred and was it not transferred  
at the same time the balance was trans-  
ferred? A.—It may have been trans-  
ferred.

Q.—That is to pay 50 per cent. in  
respect of those bonds was transferred  
to the companies? A.—Yes.

Q.—And the other 50 per cent. was  
transferred to you? A.—Yes.

Q.—And remained there from  
March, 1904, until after the amalga-  
mation? A.—Yes.

Q.—And then demand was made for  
it? A.—Yes.

Q.—By whom? A.—Mr. Stratton.

Q.—And you acceded to the demand?  
A.—Yes.

Q.—Why was that stock not trans-  
ferred to the companies direct, the  
same as the rest? A.—Because we had

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not accomplished what we had under-  
taken to accomplish at that time.

Q.—Why did it stand in your name?  
A.—I cannot tell you that.

Q.—You surely understand why  
that stock would be transferred to  
you. It remained there from 1904  
to 1906, over two years. When was  
the underwriting complete? A.—  
Complete this year.

Q.—Complete as between your-  
selves, but the Von Echa Company  
had got the whole \$100,000 or the  
price of the bonds? A.—Yes, but  
the bonds were hypothecated.

Q.—But the companies had advanc-  
ed and the Von Echa Company had  
given all the consideration it was to  
get for the bonds? A.—No.

Q.—Why not? A.—They had and  
they had not.

Q.—Tell me first how they had and  
then how they had not. A.—Because  
they assumed after the amalgamation,  
they assumed to advance, and they  
actually sold the bonds.

Q.—Who sold the bonds? A.—Dr.  
Ickies sold the balance of the bonds.

Q.—Had not the Von Echa Company  
actually got the money the Home-  
stead Company was to furnish? A.—  
But they were responsible on their  
own security.

Q.—So far as the Von Echa Com-  
pany was concerned, the whole \$100,-  
000 bonus stock was due to these  
companies, was it not? A.—I do not  
think so.

Q.—He had got the money? A.—  
He had got his money on a note, for  
which the bonds were collateral.

Q.—There may have been further  
obligation of Ickies but there was no  
further obligation on the companies,  
and they were entitled to their stock,  
but did not get it till after the amal-  
gamation. A.—We did not consider  
they were entitled to it until the bal-  
ance of the bonds were sold.

Q.—Was there anything on record  
to show the Home Life Company was  
to get 50 per cent. more bonus stock?  
A.—No.

Q.—Why not? A.—We did not  
know we would get it.

Q.—You had it and had given all  
the money that was to be paid for it.  
A.—I did not consider we had.

Q.—Why did you not know you had  
it? It was transferred the same time  
as the other 50. (No answer.)

Q.—Was there ever any distinction  
when Dr. Ickies was talking to you  
with regard to the bonus stock? Was  
it not so far as he was concerned 100

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per cent. bonus proposition from the first? A.—I do not think so; I do not remember that.

Q.—Will you say that it was not? A.—I do not remember that. It was conditional, of course.

Q.—Was not the whole of the company's stock conditional on your getting \$100,000 subscribed? A.—No, I do not think so.

Q.—Was the condition only as to 50 per cent. bonus? A.—Yes.

Q.—Was that in writing? A.—I do not think so.

Q.—No written arrangement to show that distinction? A.—Not that I—

Q.—As to the 50 per cent. of bonus stock you held and the 50 per cent. of bonus stock the company held? A.—Nothing that I remember of.

Q.—And can you say how soon the Von Echa Company had all the money it was to get on those bonds, and therefore was under obligation to give up the bonus stock to the extent of \$100,000? A.—I think when the balance of the bonds were sold and they were released from their obligation.

Q.—And you think that until they were released from their obligation under the contract they would not be compelled to give up the bonus stock? A.—I do not think so.

Q.—And you would not be free to dispose of it to the company? A.—No, we treated it as we did the 80 and 85, as we always gave our companies the cut on anything we bought.

Q.—But you made the Home Life pay one per cent. for the benefit of the Homestead? A.—The Homestead did the work.

Q.—Mr. Pattison did all the negotiations and he was the Manager of both? A.—Of course there were some other sales outside.

Q.—By whom? A.—By Mr. Pattison or by the company's agents.

Q.—What salary did Mr. Pattison get from the Homestead? A.—I do not remember.

Q.—Well, you ought to remember. It was only a year or two ago and you were the President of it and he was the Manager. What salary did he get as Manager? A.—I think he got about \$1,000 a year, somewhere in that neighborhood.

Q.—And then he entered into this arrangement with Dr. Ickies? The Home Life take \$30,000 as against the Homestead taking \$20,000 of bonds, and the Home Life gave the Homestead one per cent. on its bonds? A.—Yes.

Home Life. (J. Firstbrook, Ex'd.)

Q.—Can you say why they did that? A.—Because they were acting as trustees in doing the work.

Q.—In what way? A.—In handling the bonds.

Q.—Mr. Pattison was doing the work, and the temporary advances were being made by the Home Life up to the extent of \$51,000 during the first year? A.—They were just acting as an agent, the same as any other company would act.

Q.—The Homestead was acting as an agent? A.—Yes.

Q.—That is to say a company of which you were the manager was charging for your manager's time in carrying through the proposition? A.—Well, he was the manager for both companies.

Q.—And the Homestead was charging the Home Life a commission, representing the time he spent at the transaction? Is that right? A.—He and the officers.

Q.—Well, the officers were common to both just the same way? A.—No, they were not—separate officers altogether.

Q.—He and Mr. Hillock? A.—Well, the clerks.

Q.—Did the Homestead company make loans to Dr. Ickies on the Grand Valley bonds too? A.—I think they did.

Q.—We will be able to get a statement from Mr. Pattison of all the transactions, so that we can see to what extent the Homestead Company assisted in financing the road, can we? A.—I do not know.

MR. TILLEY: Can we, Mr. Pattison?

MR. PATTISON: I have no control of the Homestead. So far as I can give you any information I will be glad to give it. I may say that Mr. Firstbrook has forgotten that our solicitor's fee alone in connection with the drawing of the agreements of the handling of those bonds was in excess of the one per cent. for a good share of the bonds.

MR. TILLEY: You will be able to tell us about that, Mr. Pattison?

WITNESS: Yes, there was a solicitor's fee of quite a large amount, which came out of that.

Q.—That is to say the Homestead solicitors did the work; is that right? A.—Yes, I think it was the Homestead solicitors, they and another firm, I think two firms went over it, I think the Home Life's and the Homestead's firms both.

(The Commission then adjourned till 10.30 to-morrow.)

## SIXTY-FIFTH DAY.

Toronto, 12th September, 1906.

HOME LIFE ASSOCIATION, continued.

MR. TILLEY: I was asked to correct a mistake made in one of the papers which I think possibly should be corrected. The late Mr. Thomas R. Woods' name was inserted in the list of directors of the Home Life, who received some money from Mr. Pattison. It should not have been Thomas R. Wood, but R. A. Wood, who was a director.

ROBERT A. WOOD, sworn. Examined by

MR. TILLEY: Q.—You were a director of the Home Life, were you? A.—One of them, yes.

Q.—Did you attend the meetings, when the amalgamation with the People's was discussed? A.—I think so, sir. I think I attended pretty nearly all the Board meetings regularly.

Q.—Did you have anything to do with the negotiations for the amalgamation? A.—No not with the negotiations.

Q.—Who attended to that? A.—I think the Manager, Mr. Pattison.

Q.—When did you learn that an amalgamation was going through? A.—Well, I could not say when I learned it was going through, but it was talked about at the Board for a considerable time.

Q.—It was completed apparently in October, 1905? A.—In 1905.

Q.—Can you say how long before that you knew that there was to be an amalgamation? A.—Well, I should say two or three months.

Q.—Two or three months before that? A.—Yes.

Q.—Did you agree to sell out your stock at the time you knew there was to be an amalgamation? A.—Oh yes.

Q.—Did you know that it was necessary for you to sell your stock? A.—No, I did not know it was necessary. I was asked would I sell it.

Q.—By whom? A.—Well, I was asked by Mr. Pattison.

Q.—Did he tell you that he had to turn over your stock? A.—I do not think he told me such a thing. He asked me would I sell it and the price I wanted for it, and that he would like the other directors to sell their stock also.

Q.—You understood that it was part of Mr. Pattison's arrangement that he should acquire the stock of the directors, or try to acquire it at any rate? A.—Yes.

Home Life. (R. A. Wood, Ex'd.)

Q.—So that there would be a new Board appointed? A.—Well I did not know anything about the new Board. I imagined that he would like to have the directors unanimous on the sale.

Q.—Of their stock? A.—Of their stock, yes.

Q.—How did you come to fix that \$1,250 and \$500, making \$1,750 to be paid to you by Mr. Pattison? A.—Well, I cannot say. I think it was not put to me that way. I think he asked me what I would take for my stock and I said \$125.

Q.—That is to say, on a basis of \$125 a share? A.—Yes. You see I paid par for it.

Q.—And you thought you ought to get an advance? A.—I had not had any interest on the money for four or five years.

Q.—Other shareholders had had no interest either, I suppose? A.—Oh none of them that I am aware of.

Q.—Did you know what the stock was worth? A.—No sir, I was not taking any interest in it.

Q.—If you had tried to sell it do you know what you could have got for it? A.—No, I never offered it.

Q.—Did you know who was going to pay for your stock? A.—No not the slightest idea.

Q.—Did you know who Mr. Pattison was going to turn it over to? A.—Oh, I understood it was the People's Insurance Company.

Q.—Did you know the price the People's Insurance Company was paying? A.—No, I had no idea.

Q.—You did not ask Mr. Pattison anything about that? A.—No.

Q.—Did you know Mr. Pattison was being paid something personally? A.—I did not know that he was paid personally, but I knew that if he gave up the position that he had and eight years' longer control, that he would be getting something for it.

Q.—You assumed he would be getting something for giving up his position? A.—Yes.

Q.—Had you any amount in your mind as to the sum? A.—No.

Q.—Were you surprised when you found it was \$80,000? A.—No, I did not think it was out of the way.

Q.—You thought \$80,000 was about right? A.—Well, I considered he would have to pay for the rest of the stock of the other directors out of that.

Q.—Oh no. He did not pay for the stock out of that. He only paid the \$500 you got. A.—Yes, I mean that.



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Q.—The \$1,250 would be paid by the People's? A.—He paid the bonus.

Q.—So that you thought the bonus would come from Mr. Pattison? A.—Yes.

Q.—And that the payment for the stock would come from the People's Life? A.—Yes.

Q.—Did you inquire from Mr. Pattison what the transaction was? A.—No, I did not inquire anything about it.

Q.—You just accepted the offer he made? A.—Just gave him the offer at \$125, and I got my cheque, and that was the end of it.

Q.—And you resigned and dropped out of the Home Life? A.—Yes.

Q.—You are not now a shareholder in it? A.—No, I was asked to take a position on the new Board but I declined.

Q.—Were you told at what price you could get your new stock? A.—No.

JAMES J. WARREN, Sworn, Examined by MR. TILLEY:

Q.—In what capacity did you meet Mr. Pattison to discuss the amalgamation of the People's Life and the Home Life? A.—As solicitor for the People's Life.

Q.—Did he make a proposition to you, or did you make a proposition to him? A.—Well, I do not know that it came about in that way. You see negotiations had been begun through Mr. McCutcheon and when they reached a certain point—

Q.—Then it was turned over to you? A.—I was instructed to look after the details of the matter.

Q.—Is it right to say that the general plan of the amalgamation had been arranged before you came into it? A.—Well, the general plan of the amalgamation was a very simple one, and it had been practically arranged.

Q.—What was left to be arranged when you took hold of the matter?

A.—When I took hold of the matter it was recognized that the contracts with Messrs. Firstbrook and Pattison would have to be commuted or taken over. That was one thing, and then the basis for the re-insurance of the People's Life contracts had to be determined.

Q.—When you say the basis had to be determined, had it been agreed that it should be on the basis of 100 per cent. of the annual premium? A.—No, not at that time.

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Q.—That had not been fixed? A.—It was generally understood they were to be reinsured, but the basis, as I have said, was not agreed upon.

Q.—Did you discuss the basis of re-insurance with Mr. Pattison? A.—Oh yes, for many weeks. I may say, too, that when the matter was handed to me it was understood, Mr. Pattison was to deliver, I think it was 1,164 shares, at all events a definite number of shares, at a stipulated price of \$125 a share, or not that—

Q.—That is \$25 a share? A.—Yes, but 25 per cent. of the amount paid, of the par; that was really the only definite thing that had been arranged.

Q.—Was it understood that 1,164 shares was to include the shares of certain persons? A.—The names of those persons were not disclosed at the time; that is it had not gone that far.

Q.—Did you know that they were to be directors? A.—I knew subsequently; during the course of the negotiations the names of the holders of the shares were disclosed to me.

Q.—We are not quite understanding each other. Was it understood Mr. Pattison could turn over to you any 1,164 shares, or were they to be 1,164 shares of directors? A.—Oh no, there was nothing about that. We were not concerned about directors' shares. What we wanted was a substantial holding in the company.

Q.—Did you stipulate for a resignation of the directors? A.—I do not think I stipulated for that. It was understood that a certain number of our directors—I am using the word "our" representing the other interest—would go on the Board, because while it was re-insurance, it was practically a combination of the two companies.

Q.—And as to the number you would put on of your old Board and the number you would leave, that was to be left to you? A.—No, we were not so keen after control as that. I think if you look at the Board as it was subsequently constituted that we were in the minority in point of numbers.

Q.—But there seemed to be no difficulty about getting resolutions through? A.—Oh well, not if they were proper. We did not put any resolutions—

Q.—Some of them do not seem to remember some resolutions. A.—That is not my fault. They would probably forget some other thing, if you were to ask them.

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Q.—You were present at the meeting? A.—Yes.

Q.—We will ask you about that later. Then you say you arranged the terms of the contract? Did you settle the manner in which payment of that one year's premium was to be made? A.—Yes. Well, when I say I settled it, Mr. Pattison and I settled it together, and I reported to Mr. Stratton and to Mr. McCutcheon with my recommendation, and they approved of that.

Q.—The payment apparently was divided into two parts, \$50,000 in cash— A.—50 per cent. paid in stock of the Home Life.

Q.—That was the idea; 50 per cent. to be paid in stock of the Home Life? A.—Yes.

Q.—I suppose that was in order to show no depletion of the Home Life assets? A.—Well, it would show a depletion of the Home Life assets, but it was for the purpose of making the Home Life as strong as possible. There was no intention of taking any money from the Home Life.

Q.—And there was no intention of showing that payment as a liability, or as a depletion of the assets? A.—Oh well, it could not help but show, because the \$49,000 would show as outstanding capital.

Q.—Owing to shareholders? A.—Owing to shareholders.

Q.—But still security for policyholders? A.—Well there was \$900,000 of unsubscribed capital there, or subscribed unpaid capital. The policyholders could not suffer.

Q.—Was it discussed whether that stock should be given to the People's at par, or with a bonus, as other shareholders had subscribed for it? A.—No. As a matter of fact the half of the one annual premium was a little less than \$49,000, and I think the People's Life gave a cheque for the difference. It may have been a little less and may have been a little more, but the question of the \$49,000 being taken at a premium or not was not considered, the intention being that that \$49,000 of stock would be held until the condition of the Home Life Company was very much better than it was then, when it would be worth a great deal more money; if not, why the people who took the \$49,000 were taking an asset which was not affecting the general condition of the Home Life, assuming that the basis of the re-insurance contract was fair.

Q.—What experience had you in determining what was fair for a re-in-

surance contract? A.—Well, when I took the matter up I got the Secretary of the People's Life Insurance Company—

Q.—Mr. Kirby? A.—Mr. Kirby; to make up a statement for me from the Government Reports, showing the cost of getting business for, I think, four or five of the different companies, not the ones that cost the most, nor the ones that cost the least, but my idea was, or my intention was to strike an average of what it was costing the average life insurance company to get new business.

Q.—And the conclusion was what? A.—And the conclusion was that the Home Life could not afford to pay that much for the business.

Q.—How much? A.—It was something between 170 and 180 for the first year's premium, I found it was costing the company something over that; the average was about 170 per cent. of the first year's premium.

Q.—Do you know the names of the companies? A.—I had the names of the companies then, but I have not them now, and I had better not say anything about them, even if I had them, perhaps.

Q.—With that information you did what? A.—I took the matter up with Mr. Pattison and I found that the Home Life had been paying quite well for new business. I pointed out that to Mr. Pattison and I presented these figures that I had obtained; the accuracy of them, was admitted, I think practically conceded, as a result of this inquiry, that business has been costing from 170 to anywhere you like.

Q.—What was the discussion? What did you ask then? 170 for the People's? A.—No, I did not. My instructions from Mr. Stratton were that when this arrangement was made, if it were completed, the Home Life Company was to be in a perfectly sound and true position.

Q.—I should like to know what you did. What did you do with Mr. Pattison? A.—Well, then we discussed what basis.

Q.—What did you do? A.—Well, I submitted those figures.

Q.—What did you do? A.—I cannot say.

Q.—What did you ask for? 100 per cent? A.—I think in the first place I asked for 150 per cent. You know these negotiations extended over seven or eight weeks.

Q.—Did you know the Home Life

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had been offering for two companies \$15 a thousand? A.—No, I did not.

Q.—Which would be about 50 per cent.? A.—I do not know anything about that.

Q.—You do not know anything about that? A.—No. I do not know anything about what the Home Life had done.

Q.—Don't you know that from the minutes since? A.—No.

Q.—Then you finally agreed upon 100 per cent.? A.—100 per cent., payable \$49,000—not cash, but payable \$49,000 in 50 per cent. stock, and the commission contract making the other \$49,000 payable in 10 annual instalments.

Q.—Out of the premiums to be received? A.—Yes.

Q.—Was that so that it would not be shown as a liability? A.—Well, it was not with that purpose altogether in view. It was for the purpose of spreading the payments in such a way as to make it as light as possible on the Home Life.

Q.—And not show it? A.—Oh, well, I do not know that.

Q.—Do you deny it? A.—Well, when I say that that was not the intention, I do not know that I either assert or deny.

Q.—Will you deny it now? A.—What?

Q.—That it was not spread over that way for the purpose of keeping it from not being shown as a liability? A.—No, that was not the intention.

Q.—Was it part of the intention? A.—It may have been incident to it, but the main object was to make the payment for this business as easy as possible upon the resources of the Home Life, after we had agreed upon what we thought—

Q.—That is a common way of hiding a liability of a company, to make it a percentage on premiums? A.—We have not hidden anything. The contract and everything has been produced, and there is no attempt at hiding.

Q.—I am not suggesting that you hid the contract? A.—It may be others hid things, but we have not hidden anything.

Q.—I am asking you whether the Home Life was then indebted to pay 100 per cent. to the People's, was it not? A.—Yes, under the terms of the contract.

Q.—Did you show in the Annual Statement of the Home Life that the Home Life was indebted to the Peo-

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ple's to that amount at the end of 1905? A.—I do not know.

Q.—Do you not know that? A.—I do not know that. I did not make up the Annual Statement, and I do not think I signed it; I am sure I did not. It is as it is, you know. I mean to say it speaks for itself. All I can give you is my knowledge.

Q.—It is a liability? A.—Under that contract.

Q.—And if it is not in the Annual Statement it is hidden, is it not? A.—No, it does not follow.

Q.—Why not? A.—Well, the \$49,000 is in the Annual Statement as a liability.

Q.—The \$49,000 is in your Annual Statement as a liability? A.—Certainly, because it is part of the capital stock of the company.

Q.—I am not dealing with that. I am dealing with the 10 payments of \$6,350? A.—That is a renewal commission contract, just the same as any other agents treat that in any insurance company, with the exception that there is some sort of arrangement by which it shall not be less than a certain sum.

Q.—It is an arrangement that it shall be a certain percentage or a definite sum, whichever is chosen? A.—Yes.

Q.—And it is not contingent upon the policy of any particular person continuing? A.—No, the reason of that was—

Q.—That it had to be paid? A.—No. That it was not fair for the People's Life to take the risk of the Home Life business being in force. It is subject to the option which I have mentioned. The ordinary insurance agent has a renewal interest in premiums, and that is never shown as a liability.

Q.—If you cannot distinguish the difference between the ordinary agents' renewal commission which is contingent on the man keeping up the insurance, living and paying the premium, we will drop it at that. Then besides the amount payable by the Home Life it was stipulated that certain agents' advances and so on should be taken over at par less 10 per cent.? A.—Yes.

Q.—Were you able to form any opinion as to the propriety of that transaction? A.—Well, as to the propriety of it I found those assets admitted by the Ontario Government, and the Home Life had the same class of asset, and in view of all those conditions it was agreed that a deduc-



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tion of 10 per cent. on those would be fair.

Q.—Mr. Kirby thinks that 50 per cent. would be a pretty good value to put on them, as I gathered from his evidence? A.—Well, all agents' advances in all insurance companies are not exactly liquid assets.

Q.—And that is one that is not? A.—Well, in all companies it would just depend on how they are handled.

Q.—Then, besides those payments, there was the payment to be made to Mr. Pattison of \$80,000? A.—Yes.

Q.—How was that amount fixed? Was it fixed by you? A.—It was not fixed by me.

Q.—Who was it fixed by? A.—I mean to say it was not fixed by me; it was finally agreed upon between Mr. Stratton, Mr. McCutcheon and Mr. Pattison as the least amount that would be accepted.

Q.—That is to say it was fixed at that amount because you could not get the transaction through at any less amount? A.—No, I don't know that, because if we had found that the amount was unreasonable to any great extent we would not have put the transaction through.

Q.—You thought it was reasonable, did you? A.—Yes, under the figures that were submitted to me.

Q.—That is to say on the contracts that Mr. Firstbrook and Mr. Pattison had before you came into the company at all, you thought that was not unreasonable? A.—You see the actuaries made up some figures as to the value of it.

Q.—That report cannot be found? A.—Mr. Pattison said he had a report from his own actuary, and he gave me the figures, and they were more than we subsequently paid, but I made a rough estimate myself which I have not got now, which showed that \$80,000 was not an out of the way sum, everything being considered. Of course Mr. Pattison dilated on the services that he had performed for the Home Life for which he had not been paid, and he said the Home Life was in a very commanding position; it was over the hill and that everything was lovely generally, and that it was his services that brought that about, and that he did not propose to surrender the fruits of his own labor, that was the way he put it, and he ultimately valued, with our consent, the fruits of his labors at \$80,000. There is the whole situation.

Q.—That is what he demanded? A.—That is what he asked.

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Q.—Did he ask anything higher than that? A.—I think originally—I do not know just from anything he said to me, but when I got my first instructions I understood, I think it was above \$100,000.

Q.—How much above it? A.—I could not say. I think \$110,000 or \$120,000. Then it got down to \$90,000.

Q.—Was it over \$120,000? A.—I do not think so.

Q.—But it was \$120,000? A.—It was \$110,000 or \$120,000.

Q.—Are you quite sure? A.—I could not say. I would not go above \$110,000 to be sure. But, understand, Mr. Pattison did not mention that sum to me.

Q.—Who did? A.—Mr. McCutcheon.

Q.—He mentioned that sum to you as what Mr. Pattison would want? A.—For his contract.

Q.—What was the highest price Mr. Pattison asked you personally? A.—Well, he did not ask me anything at all personally.

Q.—What was the highest amount mentioned between you? A.—\$90,000.

Q.—What was the sum you offered? A.—I did not offer anything.

Q.—What was the lowest amount ever discussed? A.—\$80,000.

Q.—Was that the lowest ever discussed? A.—I think so, to my knowledge. The \$90,000 was supposed to be the absolute bottom price.

Q.—Rock bottom? A.—Rock bottom price.

Q.—It struck a lower level afterwards? A.—But ultimately we were able to get a little better bargain. We did the best we could.

Q.—Whose idea was it to charge that amount up to the Home Life? A.—It was not charged up to the Home Life.

Q.—Well, through Mr. McCutcheon's contract it was? A.—What we did was, we simply substituted McCutcheon's contract for the contracts we had acquired.

Q.—But it was a matter of some surprise to Mr. Pattison now he says to find you did not pay that out of your own pocket? A.—You mean personally?

Q.—Yes; well, you or Mr. Stratton? A.—Either one of us could do it before breakfast as a matter of fact. Well, there is not any doubt, Mr. Tilley, that Mr. Pattison thought what was being done was that his contracts were being purchased, and the agreement under which the money was paid covers an assignment of his contract and an undertaking to procure

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an assignment of Mr. Firstbrook's to Mr. McCutcheon.

Q.—It certainly does? A.—And he understood—there is not any doubt about it; I cannot give you the exact words—he understood that what was going to be done was that in lieu of this contract Mr. McCutcheon was going to get a contract which would be approximately the same, as far as the Home Life was concerned, and the only persons who would suffer would be the people who were going to perform Mr. Pattison's and Mr. Firstbrook's services, having paid for the right to do so.

Q.—That is the Home Life, having paid for the privilege of letting them do so? A.—No. The present position of affairs is that the Home Life shareholders and policyholders are getting better services in my humble judgment—I do not refer to what I do—than they were getting before, and they are not paying any more.

Q.—The \$16,000 is not any more? A.—No, it is not any more than would have been paid if the combination had been made and Mr. Pattison and Mr. Firstbrook had continued in this and the only people who are suffering are the executive of the new company who are practically working for nothing.

Q.—If that transaction was so fair and proper as that, why did you not agree to have a resolution of the Home Life passed making the payments to Mr. Pattison direct for a certain length of time? A.—Because the Home Life were not paying Pattison.

Q.—Why did you put it in that indirect channel? A.—There is no indirect channel. Mr. McCutcheon acquired Pattison's and Firstbrook's rights, whatever they may be.

Q.—Mr. McCutcheon on acquiring Pattison's and Firstbrook's rights would not have anything the minute they dropped out of the company? A.—They would not have anything unless—

Q.—Unless you saddled it on the company? A.—Unless the people with whom he was associated had some idea of good faith.

MR. McLAUGHLIN: Those people were to be paid; if Firstbrook's and Pattison's contracts terminated, they were to continue to be paid.

WITNESS: That is right. The commissions would have been paid in any event.

MR. TILLEY: Q.—They would not have been payable if Pattison and Firstbrook voluntarily retired from

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the company? A.—I do not think they did voluntarily; they retired gracefully but not voluntarily.

Q.—I do not know whether it is gracefully— A.—Well, it is all right.

Q.—I thought probably you wanted to discuss that.

MR. McLAUGHLIN: Put it in the exact form; it says, "Unless they were relieved at their own request in writing." If they were relieved by the company as in this case, the commissions would still be paid.

WITNESS: We looked upon their rights as vested, whatever value they would be worth on the commutation basis.

MR. TILLEY: Q.—Would it have done to have passed a resolution at that time by the Home Life, saying that Pattison's contract and Firstbrook's contract will be commuted now at \$80,000, and they will pass it. Do you think such a thing as that could be spread on the minutes of the company? A.—Yes.

Q.—You think it could be done? A.—Yes.

Q.—That shows how little attention is paid to the minutes? A.—Why not?

Q.—Because the Directors who were here, some of them, said they would not have agreed to such a proposition? A.—I do not know what the Directors said. I know what we did was done quite openly.

Q.—It was not done very openly when not a person in the Home Life except Mr. Pattison knew what was going on? A.—Understand I was solicitor for the People's Life, and I was not in contact whatever with any member of the Home Life Board except Mr. Pattison.

Q.—I am only objecting to the word "openly?" A.—I assumed he was in communication with his own people, as I was with mine.

Q.—I am not saying what you should have done, but I do object to your using the expression that it was done openly, because it was not done openly. A.—What?

Q.—The transaction was not put through openly? A.—Well, I was there, and the room was full of people.

Q.—When you discussed the \$80,000? A.—No, that was a matter that was considered personal to Pattison and Firstbrook, just the same as if we wanted to buy their house, or their horses, or anything they might have.

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Q.—Or any other chattel? A.—That may be a wrong view, but that is the point of view that prevailed.

Q.—After the amalgamation was carried through certain sums were voted to yourself for travelling expenses? A.—No, I did not get anything for travelling expenses.

Q.—Were you not in that? A.—In what?

Q.—The resolution that provided for some travelling expenses? A.—Better look it up before you suggest that.

Q.—Who were the parties? A.—I do not know. The resolution, if there was such a resolution, will speak for itself. I was not a Director of the People's Life.

Q.—Were you not paid any sum by either company? A.—Yes, I was.

Q.—For travelling expenses? A.—No.

Q.—For what? A.—I was paid a disgracefully low fee for conducting the negotiations for the People's Life.

Q.—How much was it? A.—\$250. That was the extent to which I was in it as you put it. It represents a few days' expenses before the Commission I suppose. Do you mean a resolution of the Home Life?

Q.—In the People's Life, on November 6th, "Paid travelling expenses J. R. Stratton \$1,500, F. M. Holland, \$250?" A.—Well, my name is neither Stratton nor Holland.

Q.—But yours is above, "October 23rd, paid J. J. Warren, Home Life, travelling expenses \$250?" A.—That is wrong —travelling expenses.

Q.—Yes? A.—Well, I should like to look at the minutes.

Q.—Where is the People's Life cash journal? A.—Well, where is the minute book, that is what I want.

Q.—Above that, same date, "Paid J. J. Warren, Sun. value"—what is that? A.—I do not know.

Q.—\$250? A.—Kindly get the minute book. I would not like to appear to have gotten this fee under the name of travelling expenses. I did not travel except locally.

Q.—We will get that, but that was the item in my mind when I was asking you? A.—Yes. There is an error in the extract. I do not usually get fees that way.

Q.—What was Mr. Stratton's travelling expenses? Was that travelling expenses, that \$1,500? A.—Well, he travelled—I suppose he knows more about it than I do, but none of the Directors of the People's Life had ever received a cent for their ser-

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vices, and Mr. Stratton, from the time he came down from the Parliament Buildings, had given the People's Life a very great deal of attention, and up to that time he had left the matter in the hands of others, and that was the amount of the disbursements he said he had paid, and which I believe to be correct in connection with his services there.

Q.—Was it disbursements? A.—Yes, disbursements.

MR. McLAUGHLIN: I should say as far as that is concerned, let that stand until we get the minute of the People's Life and see what it was paid for.

WITNESS: I am perfectly clear Mr. Stratton's \$1,500 was for his travelling expenses.

MR. McLAUGHLIN: Mr. Warren is not a Director, and did not attend that meeting.

MR. TILLEY: There is no confusion about that item? A.—No.

Q.—You do not need the minutes for that? A.—No, I will not put you to any trouble about that.

Q.—You say the explanation of the item is that from the time Mr. Stratton came and gave personal attention from day to day— A.—He gave attention before that too.

Q.—He told us of a time when he came and took a different sort of interest? A.—That amount was voted to him to cover his actual cash disbursements in connection with the People's Life Insurance Company.

Q.—Were there any other disbursements that you know of, of any substantial amount? A.—I do not know of any except his travelling expenses between here and Peterborough.

Q.—Residing in Peterborough and coming up here? A.—Yes, he would come up here and spend three or four days, and he has to live, of course, while he is here. I should like to have that matter cleared up myself.

Q.—We will get it cleared up? A.—You see they have a habit of putting these things in the newspapers, and I would not like to have it appear that I received \$250 for travelling expenses.

Q.—Mr. Holland got \$250 for travelling expenses? A.—That was supposed to cover his expenses the same way.

Q.—And Mr. Karn? A.—The same way; he lives in Woodstock.

Q.—And Kloepper? A.—Yes; he lives in Guelph.

Q.—These three got \$250 each and Mr. Stratton \$1,500? A.—Yes.



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Q.—Would that be shown as payment for services or expenses?

MR. McLAUGHLIN: The only binding entry would be the minute which the clerk would enter. We will get the book and show what it was made for.

MR. TILLEY: Neither Mr. Warren or myself want the minute.

MR. McLAUGHLIN: I want the minute as representing the company. If any clerk entering it up calls it travelling expenses when it appears in the minutes as something else that would not be justified at all.

MR. TILLEY: All right.

WITNESS: I would like the minute in connection with my \$250.

Q.—Is there an entry in the minutes? A.—There is an entry in the minute.

Q.—Is this the book? A.—Yes, that is the minute book, here it is, 19th October—

“Moved by Mr. Karn, seconded by Mr. Holland, that the solicitor be paid the sum of \$250 as a special fee in connection with the re-insuring of the company's business, in connection with the Home Life Association of Canada.”

Q.—What date? A.—19th October.

Q.—That is one item of \$250? A.—Yes.

Q.—What is the other? A.—I do not know. I did not get any other.

Q.—I should like to see the cash journal 23rd October. You remember that item? One is \$250 for travelling expenses— A.—I venture to say I know what the other is.

Q.—Did the Home Life pay you anything? A.—Not a cent.

MR. KIRBY: It is the Home Life here.

WITNESS: But those are People's Life cheques. That is not a memorandum of Home Life cheques.

Q.—It does not purport to be at any rate? A.—No.

Q.—The other item, you know what it is you say? A.—I will tell you what I think it is. A policyholder—I do not think it is necessary to mention his name—

Q.—No? A.—A policyholder of the People's Life had a policy which he claimed to be in force. It was either 10 or 15 year pay life. There was a question whether it was in force or not. It was issued as paid-up for certain services which this man claimed he had performed, and this man claimed \$1,000 under the policy. The People's Life under my advice disputed liability, and an arrangement was finally made by which

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\$250 was paid to him from the People's Life as full settlement of the People's Life liability. I got that \$250 and I paid it to the man, and I got a release of the policy, and the policy is on file with the company.

Q.—You say that the second payment of \$250 might be a payment made to you to disburse? A.—I am sure that was it, because there were only the two sums of \$250 I had anything to do with. I remember them as being the same amount.

JUDGE MAC TAVISH: But only one of them for yourself? A.—Oh, absolutely, yes. It ought to have been very much more. I know all I wanted to do was to make an arrangement that would make a strong insurance company, and that is all Mr. Stratton wanted.

MR. TILLEY: Q.—January 1st, 1906, there was an item \$7,085.75 paid to F. M. Holland? A.—I do not know. If you had asked me yesterday I might have found out.

Q.—And another entry on February 1st, 1906, “Paid \$5,025.40, for retiring debenture stock.” Had you anything to do with the retiring of debenture stock? A.—No, I did not. I knew in a general way what was being done. Certain debenture stock was being dealt with, and stock was being taken off our hands after some negotiations. I had to do with some of them, but as a rule the negotiations were conducted in the company's office. The people came in and they were told exactly the position of affairs, and an arrangement was made with them which so far as I know was satisfactory.

Q.—I should like to get that book, but other than that, that is all I have to ask you? A.—Which book?

Q.—The People's cash book which has been sent for? A.—You see there is a minute of the \$250. The other \$250 is in there too.

Q.—But in the copy I have here— A.—Who made that?

Q.—There is one here for surrender value? A.—That is surrender value. It is the surrender value of that policy.

Q.—That is in at \$250? A.—Yes.

Q.—That would explain that item? A.—Yes.

Q.—And the other item is “Paid the Home Life J. J. Warren travelling expenses, \$250;” that might be a mistake of the clerk putting it in the journal? A.—Travelling expenses is wrong.

Q.—There should be a transcript in the cash book of the entries au-

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thorized by this minute, which is the fee payable to you on the negotiations? A.—Yes.

MR. McLAUGHLIN: There will be no refund required on account of that fee?

WITNESS: I should not think so.

Q.—You had a policy in the Peoples, Mr. Warren, had you not? A.—I have not.

Q.—When did it lapse? A.—It did not lapse. It was exchanged for a policy in the Home Life. It was done, not at my request or with my consent altogether. It was a policy that the Home Life said was written at a very low rate; the premium was too low and they asked me if I would be willing to increase; they wanted me to have some insurance in the Home Life; that policy was for \$3,000 in the People's and they asked me if I would take out a \$5,000 policy in the Home Life and we made an arrangement under which the People's Life policy was cancelled simultaneously with the new policy going into force, and I was told afterwards—Well, I don't mean to say I was deceived at all but I found the premium I was paying in to the Home Life was considerably in excess of the premium I would have been paying per thousand under the old policy. I mean to say, if anybody got the worst of the deal I did; I am not posing as any martyr on the subject but that is the fact.

Q.—Then was an arrangement made to cancel the one policy and take another policy in substitution before the end of the year? A.—It was not for a 31st of December purpose.

Q.—No I am not saying that? A.—I cannot tell you the date.

Q.—I am asking you for the purpose of coming to a conclusion as to whether there should have been a reserve on your policy? A.—I don't think so, because I will tell you what happened; they allowed me the surrender value of the old policy as part of the premium that I paid on the new, and the old policy was absolutely cancelled the moment the new one went into force and the only reserve that would have to be put up I should say would be the reserve in respect of the new policy because that was the only liability there was. That was done before the end of the year. I was re-examined just as if it were a new insurance.

A. J. PATTISON recalled. Examined by MR. TILLEY:

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Q.—Then, Mr. Pattison, did you ascertain what monies you were paid by the Homestead Company? A.—My salary?

Q.—Yes? A.—Yes, I have a memorandum here, as far back as 1896.

Q.—That is far enough? A.—What do you want to know?

Q.—I would like to know what the salary was in the Homestead? A.—In 1896.

Q.—Yes. A.—\$2,125.

Q.—And in 1897? A.—\$1,875.

Q.—Just go on and read them out? A.—Perhaps I had better give you the net amounts. These are net net.

Q.—Why do you say not net? A.—Because I paid office expenses personally.

Q.—Then let us have the net amount? A.—\$1,825 in 1896, and \$1,575 in 1897.

\$1,075 in 1898.

\$1,140 in 1899.

\$900 in 1900.

\$840 in 1901.

\$640 in 1902.

\$565 in 1903.

\$640 in 1904 and 1905.

Q.—Each year the same? A.—Yes, each year the same for the last two years.

Q.—Then was the Homestead office in the same office as the Home Life? A.—At one time they had offices adjoining.

Q.—And how long did that continue, down to what date? A.—Down to the time of the purchase of the Home Life building.

Q.—Then what happened? A.—The offices were in the same building.

Q.—Adjoining? A.—No, they were separate.

Q.—You were Manager of both companies still? A.—Yes.

Q.—Both the Home Life and the Homestead? A.—Yes, I was Manager of both companies.

Q.—To what extent did you have to devote your time to the business of the Homestead, where was your office? A.—In the Home Life.

Q.—To what extent did you give up your time to Homestead business? A.—I don't know that I could say exactly how many hours I put in in the Homestead office every day, my time was chiefly given to the Home Life. Almost exclusively.

JUDGE MAC TAVISH: You had an office also with the Homestead? A.—I had, yes.

MR. TILLEY: Had you a room in the Homestead office? A.—We had

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the usual Loan Company office. A cashier's office and a bookkeeper.

Q.—Was there a private room for yourself in the Homestead office? A.—Not a private room. There was a part of the office set aside for the Manager's office.

Q.—Were you there two hours a day? A.—On the average, no.

Q.—An hour and a half? A.—I don't think so. I was always available for any business transaction coming up requiring the attention of the Manager, which was not often, because the Company was quite small.

Q.—Your office accommodation in the Home Life was better than your office accommodation in the Homestead? A.—The business was very much larger.

Q.—And I suppose that the other officers and employees in the Homestead would rather come to you than you to them in most cases? A.—I think so.

Q.—Were you under a contract with the Homestead? A.—I think I told you on Friday that they had a contract with me for 10 years.

Q.—When was it dated? A.—It would be about the establishment of the company in 1886.

Q.—1886 or '96? A.—1886.

Q.—A 10 year contract in 1886? A.—About that time.

Q.—And from that time on had you a contract? A.—No.

Q.—You had no definite contract. Then had Mr. Firstbrook any arrangement with the Canadian Homestead? A.—Mr. Firstbrook was Vice-President of the Company from the time of its establishment down to the time of the death of the late John Hillock, when he became President.

Q.—Had he any contract for his remuneration? A.—None whatever.

Q.—What remuneration did he get? A.—My impression is that \$300 a year was voted to the directors and was divided between the President, Vice-President, who acted as Treasurer, and the other directors. I would not say that that was voted every year, because I know there were a number of years when nothing was voted to the directors.

Q.—As I understand from you the condition of matters in the Homestead was that there was no binding contract between yourself and the Homestead or between Mr. Firstbrook and the Homestead as to any remuneration? A.—Whether the contract I had which expired gave me the right to continue to draw the salary which I was receiving when that contract

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expired or not, I don't know. The question was never raised.

Q.—And how is it that there was such a variation in the amounts paid to you, was that based by way of commission on business? A.—The original sum was based on commission and I think reached \$2,500 or \$2,800.

Q.—Then in subsequent years how was it fixed? A.—In subsequent years it was reduced voluntarily by myself.

Q.—Based on commissions still? A.—No, upon the amount of service I was giving to the company.

Q.—You were giving less services as the Home Life business increased, probably? A.—The business of the Canadian Homestead had changed from a corporation having a very large number of shareholders and a large number of monthly payments, into permanent stock, and the work of the company was necessarily very much reduced.

Q.—When did you cease your connection with the Home Circle? A.—1892 or 1893, I think.

Q.—So that we will not bother with the remuneration there. Then you sold out the Homestead Company shortly after you sold out your interest in the Home Life? A.—No, I did not sell out the Homestead Company, I resigned my position as a director of the company and sold my shares.

Q.—In the same way you did the Home Life shares? A.—I transferred my stock.

Q.—Was the negotiation for the sale of your Homestead stock carried on at the same time as the negotiation for the sale of your Home Life stock? A.—No, I don't think so; I think that was a subsequent transaction.

Q.—Had you not pretty well completed your arrangement for the Homestead at the time you closed the transaction for the Home Life? A.—Is the Canadian Homestead matter a subject of the Insurance investigation?

Q.—Yes, I think so. I want to find out what your services were worth and what was involved in releasing you from devoting your time to Home Life matters? A.—I have no objection to giving the Commission any information in my power, but I would like to know whether the Canadian Homestead is really a life insurance matter or not.

JUDGE MacTAVISH: It is your connection with the Homestead that is important. More important than



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the investigation of the affairs of the Homestead Company. I think you may give us all the particulars of your connection with it at the time that you were connected with the Home Life? A.—Well, I have tried to do that by stating exactly what my remuneration was. Subsequent to the transfer of the Home Life stock, the directors and some shareholders of the Homestead carried into effect a transaction which had been under consideration for several years. That was the amalgamation of the company with a larger company. Our company was a small one, having 160 or 170 thousand dollars of assets only, and finding the rates of interest on mortgages falling, the expenses of management including Government fees, made a charge on the business which was out of proportion to the capital and the arrangement was thought advisable and was under contemplation for several years. It was not consummated prior to the sale of our Home Life stock.

MR. TILLEY: But you knew that it was in a position so that you could consummate it at any time? A.—I knew that we had assets which would be taken over by almost any loan company in the city.

Q.—I am not asking you that. I asked you if you did not know that you could consummate that arrangement; was it not your intention when you gave up the Home Life to give up the management of those two companies and take the management of the Grand Valley Railway? A.—It was not.

Q.—What was your intention, to continue the Homestead? A.—No, I did not see that the Homestead could be continued.

Q.—Then it was your intention to give up the Homestead? A.—It was my intention to make an arrangement to the advantage of the shareholders of that company when an opportunity arose.

Q.—It was your intention, so far as you were concerned, to give up the Homestead? A.—Not necessarily, no. If I had wanted to give up the Homestead I certainly would have stopped taking the responsibility of the management of it, when my salary got down to \$500 or \$600 a year.

Q.—Except that you had the Home Life contract at the same time. Was it your intention, when you closed out the Home Life transaction to close up your management of the Homestead? A.—No, it was not.

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Q.—Did you say the Homestead could not continue? A.—I did not say they could not continue. I said the expenses in proportion to the amount invested, with falling interest on the securities, rendered a consolidation advisable and that was under contemplation for several years.

Q.—What date did the consolidation of the Homestead go through? A.—I cannot tell you that.

Q.—What month? A.—I cannot tell you. That was carried through by others than myself.

Q.—Who carried it through? A.—The directors of the company.

Q.—Then you did not carry that transaction through? A.—I did not.

Q.—Was it carried through in October, 1905? A.—Well, I have told you I don't know the date; I cannot tell you the date.

Q.—Were you paid anything in connection with the amalgamation of the Homestead Company for releasing your position? A.—I was paid for my stock in the Homestead, I had no contract there.

Q.—You may not have had a contract but were you paid anything? A.—Yes, I was paid for my stock.

Q.—In addition to your stock? A.—Well, I did not regard it as in addition to my stock.

Q.—How much stock had you? A.—I think about \$4,000.

Q.—How much was paid up on it? A.—I believe it was fully paid. I can give you the exact figures.

Q.—And what were you paid? A.—In that case, as in the Home Life, there was a division of the monies received.

Q.—A division between whom? Was Mr. Firstbrook in that division? A.—Yes, to a very small degree.

Q.—Were any other directors of the Home Life in that division? A.—Any directors of the Home Life?

Q.—Yes, any of the persons who were directors of the Home Life, were they also in the Homestead division? A.—I think there was one; I am not sure whether there was one or two.

Q.—Here is a list of the directors of the Home Life? A.—I know, but I would have to look at the cheques in connection with the transaction in order to see if more than one director.

Q.—What one was in? A.—Mr. John S. King and Mr. Curry were directors of the Homestead.

Q.—You say one was paid something? A.—I think one; I am not sure.

Q.—Which one? A.—I don't want to speak from memory.

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Q.—If there is any doubt about it, I do not want you to speak from memory either? A.—I would prefer to get the information for you.

Q.—How much was divided in connection with the Homestead transfer?

A.—If you will allow me to turn to the records after you adjourn, I will give you those facts.

Q.—Then you were to examine to ascertain whether there was any money that should have been credited under the contract to you that was not paid to you? A.—I had not enough time to go carefully through the books, particularly as it involved an examination of the premium receipts and a computation of the commissions credited. I did find, however, that the statement made to you that all monies had been credited and paid, was incorrect.

Q.—To what extent did you find it incorrect? A.—I think there is just one entry there. That is the only entry I had the time to discover last night. There is about \$1,000 was charged back.

Q.—That is \$1,000 that was credited to you had been charged back again? A.—Yes.

Q.—Do you know the circumstances under which that was done? A.—Well, I think the contract explains that. There are two entries there that seem to be of the same character.

Q.—May it not have been a mistake in crediting it to you in the first place? A.—I don't think so because I have a distinct recollection of not having received what I was entitled to, and that is a recollection I would not have.

Q.—And that entry would confirm your impression of that? A.—Yes.

Q.—But you cannot be certain, with the time you had to investigate, is that it? A.—Yes.

Q.—Then you were to find out what prices you paid for the Home Life stock? A.—I have not been able to get the details of that. Since my office was moved the books have not been put in the same order they were before. I have made a list of all the stock purchased by me from the year 1900 up to the present date and of the shares transferred with the exception of those shares which were taken for company purposes.

Q.—That is holding it in trust for the company? A.—Yes. I have that list here. I have been able to get this morning the items of three or four of the larger accounts, that is of the larger number of shares purchased and I find that the informa-

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tion I gave you is substantially correct, that I paid 18 and 20, that was the lowest I had paid. The shares were purchased by me in 1900, that is outside of my holdings which were then quite large. In 1902, 142; 1905 57; and 1904, 122. The 122 included the estate of the late Mr. Hihlock. This is the list.

Q.—In 1905 did you make any considerable purchase? A.—No, I had been buying gradually. The whole purchase that year was only \$2,400.

Q.—Would it be fair to say the bulk of it was at 18 and 20? A.—I think so. That is my recollection of it. I would like to add that in no case were any shares purchased by me without a strong recommendation to the shareholders to reclaim them and I only purchased them because of their desire to sell and perhaps inability to sell elsewhere.

Q.—And no shares were purchased by you when you knew you were going to consummate the arrangement with the People's? A.—No. You have a note about the Annual Meeting; you wanted to know if the contract made with Mr. Firstbrook and myself had been submitted to the shareholders. I find that it has. It was mentioned in the notice calling the meeting and referred to at the Annual Meeting.

Q.—If your Honors will permit me, I will make a statement as to what the books show regarding the payments to Mr. Warren. On October 23rd there is an entry "J. J. Warren, Surr." which we transcribed "Sun," but it is "Surrender value." "\$250." That would be for the policy of course. Then the next item is "October 24th, Home Life Association, J. J. Warren, travelling expenses, \$250." That would be the second item that I referred to when saying travelling expenses, but Mr. Kirby states that that is the item that Mr. Warren explained and that undoubtedly is for his services and it is the bookkeeper's error, which seems to be a fair explanation.

MR. KENT: I suppose the entry is one of several and the other entries were travelling expenses.

WITNESS: I have that information for you now. The question was whether the contracts of Mr. Firstbrook and myself were submitted to the shareholders' meeting. At the annual meeting on February 14th, 1899, of shareholders and policyholders, a notice calling the meeting states, "general business, adoption of by-laws, election of directors, adop-

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tion of annual report, confirmation of contracts, etc." At page 54 there is this resolution: "It was moved by Dr. John S. King, seconded by Mr. John Hillock, that the contracts entered into by the Board of Directors on behalf of the Association with the Chairman of the Executive Committee, Mr. John Firstbrook, and the General Manager, Mr. A. J. Pattison, be and they are hereby approved and confirmed. Carried unanimously."

MR. TILLEY: Who were present at the meeting? A.—"A. M. Stevenson, William Moss, F. C. Sheppard, John Hillock, J. R. Roaf, Alfred Hoskin, Joseph Tomlinson, Dr. King, John S. King, John Firstbrook, Rev. Fox, W. J. Davies, A. J. Pattison and Robert White, Hamilton, in person." And then a lot of persons represented by proxy.

Q.—Who was the proxy? A.—I couldn't say now. I presume the usual proxy, the President, Vice-President and Manager.

Q.—The President, Mr. Hillock, Vice-President, Mr. Firstbrook, and yourself? A.—You are speaking of the Home Life now. Mr. Harcourt would be, I think, President at that time.

Q.—Mr. Harcourt, apparently, was not there? A.—No, he appears not to have been.

Q.—So that the proxies for the substantial vote at that meeting would be held by yourself and Mr. Firstbrook? A.—Yes. I think it is fair to say that no proxies were ever voted at any annual meeting of either company.

Q.—I suppose no vote would be taken really; it would be practically agreed to unanimously? A.—No proxies were ever used by me in connection with any annual meeting at any time, either of this company or of any other.

Q.—Do you remember that meeting Mr. Pattison? A.—Well, only somewhat vaguely, it is a long time ago.

Q.—Were the agreements read, do you remember? A.—I could not swear to that. I would think they would be read. I see they were before several meetings of the Board of directors, not just one, and I presume they would be read. They certainly would not be passed without the details of the contracts being presented to the shareholders so that everyone would know what they were.

Q.—I suppose that is all you can say about it at this date? A.—That is all I can say at this date.

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Q.—Then, leaving that question, I would like to ask you about the Schloss transaction. The company purchased a certain number of shares of Schloss at 71½? A.—They did.

Q.—How many shares? A.—They authorized the purchase of 200 shares. I purchased 100.

Q.—And that was regularly authorized by the Board of Directors? A.—Yes.

Q.—I mean the executive committee. No, that is the Board Minutes at page 267 where it is referred to the Executive Committee? A.—I have 267. That seems to be subsequent to the purchase of the stock and they were considering a statement.

Q.—That is not authorizing the purchase? A.—June 16th, 1903 would hardly be.

Q.—No, the purchase was February 20th, 1903? A.—Yes; this was subsequent to the purchase. "It was moved by Rev. Dr. William Briggs and seconded by T. W. Boddy, that the Manager be and he is hereby authorized to purchase not exceeding 200 shares of Schloss Sheffield Steel and Iron stock at the market price; also 1,000 shares of Canada Permanent Loan Company stock at the market price. Carried unanimously."

Q.—Who were present? A.—Mr. John Firstbrook, Dr. Briggs, T. W. Boddy, Mr. John S. King, Dr. John S. King, Mr. John Hillock, Mr. J. W. Curry, Mr. Frederick Diver and myself.

Q.—Did you take those minutes? A.—Yes.

Q.—When it says Dr. Briggs moved the resolution and Mr. Boddy seconded it, did that actually take place? A.—That actually took place.

Q.—There has been some statement that probably resolutions are not always moved by the person whose name appears? A.—I heard that statement made yesterday, but it never happened in my experience.

Q.—Where a resolution is moved by Mr. Curry or by Dr. Briggs or any other director, that is correct? A.—It means exactly what it says.

Q.—Did you give the date of that resolution? A.—The date of that resolution was February 11th, 1903.

Q.—Was that on your recommendation? A.—It was against my recommendation.

Q.—What was your recommendation? A.—I was not in favor of the purchase of any commercial shares in a commercial company, and I expressed a doubt at the meeting



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of the right of the company to invest their funds in that class of security.

Q.—Under the Insurance Act, do you mean? A.—Under the Insurance Act.

Q.—That is you commented on the illegality of it, as you thought. A.—No, I did not put it that strong at the meeting, because I was not certain. I expressed a doubt, that is all.

Q.—You discussed the legality or otherwise of such transaction? And then you also discussed whether it was a prudent transaction, is that it? A.—Well, I was not in favor of it. I found my Board unanimously in favor of it and I was only the Manager of the Company.

Q.—So that the Board passed that resolution against your judgment. A.—Yes, against my judgment.

Q.—And it was passed with the knowledge communicated by you that it might be outside the power of the company to make the purchase? A.—Well, I would not like to put that too strong; I say I expressed a doubt, that was all then. That was all I could cast; I had not access to the necessary information.

Q.—All the other directors then were in favor? A.—I think they were unanimously in favor of it. They regarded it as a good investment.

Q.—Then did you make the purchase? A.—I did make the purchase, yes. Before doing so, I consulted the President, or Vice-President, I am not certain which it was then, and pointed out to him that my doubts seemed to be confirmed with regard to the right of the company to purchase stock and I asked him if I should proceed with the purchase or not. He said that he did not see that I could call in question the instructions of the Board, and I bought the stock.

Q.—Was that Mr. Firstbrook? A.—I am not sure whether it was Mr. Firstbrook or Mr. Harcourt. I am speaking from memory. I knew. I went to one of the chief Executive officers.

Q.—And then the transaction was put through? A.—Yes.

Q.—Did you have any Schloss stock at that time? A.—I bought 100 shares of Schloss Sheffield stock at that time, personally.

Q.—At the same time the 100 the Company bought? A.—Yes.

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Q.—And you gave instructions for both at the same time? A.—Yes, at the same time.

Q.—Did any other directors have any Schloss stock? A.—Not to my knowledge. I didn't know anything about that.

Q.—So Schloss stock could not have been a bad investment in your judgment at that time, if you put your own money into it? A.—I was not speaking of the character of the investment; it was a question of the right of the company to purchase and a question of the propriety of buying a commercial stock. It was not a question of the stock at all.

Q.—Did the company pay for the Schloss stock outright? A.—Yes.

Q.—At once? A.—At once.

Q.—Do you know which way the market went at first? A.—I think I can recall that it went down almost immediately after the purchase was made.

Q.—Did it go down immediately or go up for a day or two? A.—I don't think it ever exceeded the price paid by the company. If it did, it was only a trifle. My recollection is that it did not.

Q.—Did you take your stock outright? A.—I did.

Q.—Paying for it outright? A.—Yes.

Q.—In anyway assisted by the Company? A.—No.

Q.—At the end of the year you still were carrying that stock? A.—I was still carrying the stock, yes.

Q.—And the company was carrying its stock? A.—Yes.

Q.—No question had been raised at that time as to selling, I suppose? A.—Well, I think the minutes would show continuously a reference at every meeting. I am not sure now, but that would be my impression.

Q.—Just as to the movement of the stock? A.—Yes, the conditions.

Q.—That is so. For instance a further drop is reported, and then I think you investigated it, did you? A.—Yes.

Q.—Did you go down there, to the works? A.—Yes.

Q.—Sent by the company? A.—Yes.

Q.—Paid by the company? A.—Well, partially. I think I drew on my own resources for a share of the expenses.

Q.—Was the intention not that the company should pay it all? A.—Well. I have never made any trip yet at the expense of someone else, when I did not pay something myself.

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Q.—There is no saving on your travelling expenses for you? A.—No.

Q.—Then Mr. Firstbrook went down? A.—Mr. Firstbrook went with me at my request. I did not care to take the responsibility.

Q.—The two of you went down in respect of the investment of \$7,125 in the stock of the company? A.—We did, because of the condition of the market at that time.

Q.—At what price was the stock at that time? A.—I could not tell you now.

Q.—About? A.—I could not tell you that. It would be only a conjecture.

Q.—Did you know then whether Mr. Firstbrook had some Schloss stock? A.—I think I would have known if he had. I don't know that he did not have.

Q.—Your impression is that he had not? A.—My impression is that he had not.

Q.—Then at the end of the year what became of that stock, on the 31st December? A.—I gave my cheque for the stock on the 31st of December, deposited it in the bank, and took the shares up, and transferred them to the company again on the 1st of January or the 2nd January.

Q.—The intention being to take it out of the company's possession for the purpose of the Annual Statement? A.—Well, it was not for the purpose of concealing the transaction because the items follow each other in the ledger and are apparent, but my view was and it was afterwards confirmed, that the insurance department would not accept that security and that it would not appear in the reports; as a matter of fact, what happened showed that I was correct; it was taken out of the reports by the department and never appeared as a transaction on the books.

Q.—Have you the ledger, Mr. Kirby, with that in? The Home Life ledger with the Schloss transactions? (Mr. Kirby produces a ledger.) A.—I did not make the entries in the ledger, but that is my impression of it.

Q.—What you say is that you had the impression that that stock would not pass the Departmental Examination at Ottawa? A.—I was sure of it.

Q.—And was it because of that feeling on your part that you took it out at the end of the year? A.—It was entirely.

Q.—Then on the 2nd January it was brought back? A.—Yes.

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Q.—The first sheet of the ledger that is headed "Schloss, Sheffield Iron and Steel Company," contains the purchase and the purported sale at the end of 1893; then the next sheet commences with what purports to be a purchase in 1904 and a sale on June 29th, 1904. Then the object of taking it out at the end of the year was so that it would not appear in your Annual Statement, isn't that right? And there would be no dispute with the Department if they did not discover that you had it later on? A.—Oh no, if the Department had not discovered that we had it, they would have been informed.

Q.—Then why did you go to the trouble of taking it out at the end of the year? A.—Because, if that item was on our books at the end of the year, it would appear in the report.

Q.—Then it was to keep it out of the Report? A.—It was to keep it out of the Report because it had no proper place there.

Q.—Although the company owned it? A.—The company owned it.

Q.—Then why had it not a proper place there, if the company owned it? A.—Well, during the time they were holding my money I presume I owned it.

Q.—Do you presume you owned it? A.—I don't presume. I suppose if you pay for a thing you own it.

Q.—Do you say that seriously, that you supposed you owned that stock? And the company was entitled to keep your money? A.—You can put the legal aspect of it any way you like. The fact is that the company had my money, that is all.

Q.—The company had your money on the 31st of December? A.—Yes.

Q.—By you issuing a cheque on the bank? A.—Yes.

Q.—On the 2nd January you got the company's cheque back? A.—Yes.

Q.—Made out by yourself? A.—Well, I did not make out cheques.

Q.—Who did make out cheques? A.—Mr. Walker.

Q.—He did not sign them? A.—The Vice-President and myself or the President.

Q.—Did you discuss with the President or Vice-President that you were going to take that stock out at the end of the year? A.—It was mentioned a number of times by me.

Q.—To whom? A.—I cannot say now. It would be Mr. Firstbrook, I should think and Mr. King and Mr.

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Curry, probably, I mentioned the matter a number of times.

Q.—In what way did you mention it? A.—That it was an investment that I was satisfied was not contemplated by the Insurance Act.

Q.—That you expected that there would be difficulty with the Department? A.—I did not expect difficulty with the Department, because I thought I knew what the Department would do.

Q.—What would the Department do? A.—Simply ask that that security be taken out of the books and made good.

Q.—And you took it out on the 31st December, but you put it back in the books on the 2nd January? A.—Yes.

Q.—The stock then being worth what? A.—I cannot tell you. I don't remember the market quotations of Schloss Sheffield Steel now.

Q.—You did not at any rate intend to take the stock yourself and keep it? A.—I did not.

Q.—It was quite understood that you would put it back on the 2nd January? A.—That was the intention.

Q.—I suppose you would deposit the company's cheque before your cheque would be cashed? A.—Well, I did not do anything like that, sir.

Q.—That would be the fact, would it not? A.—No, it would not.

Q.—You say that the \$7,125 was actually taken out of your account before you put in the Company's cheque? A.—I don't think that the cheque that was dated in January was drawn in December.

Q.—I don't think so, either, but I think your cheque for \$7,125 would be deposited and reach your account about the 2nd January and by that time you would have the Company's cheque there? A.—I couldn't say which bank the account was kept in now. If it was the same bank, of course the cheque would go through the same day. If it was not it would take two days to go through.

Q.—You have your bank book or can you get it? A.—I think I have my bank book at that time.

Q.—At any rate whether it came out of your account for a day or two is probably not material enough to bother asking you to get the book. Who made the inspection for the Department after you put in your Annual Return? A.—Mr. Blackadar.

Q.—Did he object to that item? A.—Yes.

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Q.—And say that you must take it out of the books? A.—He said that was an improper security for the Company to invest in.

Q.—Did he meet yourself and any other persons in the Company about it? A.—I think he met Mr. Curry and Mr. Firstbrook and myself.

Q.—Exhibit 28 already filed contains Mr. Blackadar's account of that. He says he saw Mr. Firstbrook yourself and Mr. Curry? A.—That is my recollection.

Q.—And that you promised then to take it out of the books? A.—Yes.

Q.—And you were to send notice and evidence to the Superintendent that that had been done? A.—Yes, that is my recollection of it.

Q.—Then on the 30th June, as shown by that Exhibit, you wrote Mr. Fitzgerald, "I beg to advise you that the investment reported on the 31st December in Schloss Sheffield Iron and Steel stock, has been disposed of and is represented by a special deposit in the Dominion Bank of Toronto for \$7,125, which I trust will be satisfactory." Signed by A. J. Pattison, per Walker, is it? A.—Yes, I was going to say I did not sign the letter. That was the accountant.

Q.—Do you mean to say that you did not understand the letter? A.—Oh no, only that I thought I had not signed the letter.

Q.—You take the responsibility for the letter? A.—Oh surely.

Q.—That was the evidence that the Department required that the stock had been disposed of or taken out of the company and the amount made good? A.—Yes, I presume so.

Q.—Now, what was the fact about that? Had the stock been taken away from the Company and the loss made good by the directors? A.—Yes, I think that was the effect of the transaction.

Q.—Tell us what the transaction was whereby you got rid of the stock? A.—The directors, I don't remember how many of them now, but I think nearly all of them, signed a note and borrowed the money from the Dominion Bank and gave the note and the stock as security to the Bank.

Q.—And then the money was kept where? A.—Kept in the Bank, I presume.

Q.—To the credit of a special account? A.—It was at interest in the Dominion Bank. Mr. Walker could tell you all about that.

Q.—It was not put in the general funds or general bank account of the company?



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MR. WALKER: It was a special account.

MR. TILLEY: Did you make the arrangement for that special account, Mr. Pattison? A.—With the Bank; I think I took the note to the Bank.

Q.—Was it understood that the money was to remain there as a special account? A.—Oh, I don't think so.

Q.—You think there was no arrangement made of that kind at all? A.—I don't think it would be necessary for the man who borrowed the money to make an arrangement with the Bank of that kind. I don't recall any such arrangement.

Q.—Were payments made to the Bank on account of that note which was discounted in order to raise the special deposit? A.—When the shares were sold the proceeds were paid—I would like Mr. Walker to answer the questions with regard to that.

Q.—Mr. Walker, would you turn up the account of Mr. A. J. Pattison which contains the transfer. Mr. Walker can answer if it is just from the books. I want to know what monies were paid on that note, before they were charged up to Mr. Pattison's account. (Mr. Walker answers until a change is indicated.) A.—There is an account here showing several items paid out. Some of these items were paid to the Bank. The ledger does not show exactly what items were paid.

Q.—There is an account headed, what? A.—“Executive Account Special.”

Q.—And that shows payments made up to what amount? A.—\$725.

Q.—\$725 in that account paid on that note? A.—Some of the items, not all.

Q.—What are the other items paid for? A.—The other items would be an account of some interest due the Canadian Homestead. Some old stock transaction.

Q.—It is not quite so immaterial as that. But we will come to that by itself. This, then is an account where two transactions are kept, one relating to the capital stock of the Home Life and the other relating to Schloss Scheffeld, is that right? A.—Well, as I understood at the time some of this was in connection with the sales at the Bank and the other was interest due in connection with the Canadian Homestead. I did not know anything about the stock transaction.

Q.—I want to know whether there are any other transactions covered

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by these payments? A.—Just those two.

Q.—Then the Executive Account Special contains part of the entries. Where did the other entries go? The stock was sold in June, 1903, was it Mr. Pattison?

MR. PATTISON: Yes.

Q.—And were the proceeds of the stock placed to the credit of that account?

MR. PATTISON: To the credit of the note.

Q.—What loss did that leave on the stock Mr. Walker? A.—That left a loss on the stock of about \$1,000.

Q.—Then what other accounts were items carried to for this? A.—There was an Interest Account. Several items were carried to the credit of that account. That amounted to \$360 and some cents. And then that account was carried to Mr. Pattison's account.

Q.—Now then, Mr. Pattison, just to bring these transactions together, will you tell me what the transaction was with the Canadian Homestead in respect of which interest charges appear there.

(Mr. Pattison now answers.)

A.—At the time of the formation of the company money was borrowed from the Canadian Homestead under a resolution; borrowed from the Dominion Bank I think at first and then from the Canadian Homestead under a resolution of the Board of Directors or the Executive Committee for the purpose of purchasing shares which were held in trust by some members of the Board to enable the company to purchase the securities required for deposit at Ottawa. The interest accruing on the securities went to the credit of the Home Life. The interest accruing on the loan from the Dominion Bank or the Canadian Homestead was not added to the price of the shares when they were sold and remained as a balance.

Q.—Amounting at the end of 1902 to what? A.—I cannot tell you now exactly what the value was.

Q.—Then were there then any shares left in the Canadian Homestead's hands at the time this balance of interest was owing? A.—No.

Q.—Were some shares not transferred to you by the Canadian Homestead without anything being paid? A.—No, not to my recollection.

Q.—Was there some of the stock not entirely paid for? A.—As between the Canadian Homestead and the Home Life, do you mean? I don't understand.

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Q.—Well, as to the Home Life? A.—The Canadian Homestead, so far as I remember now, never transferred any stock to me or anyone else.

Q.—Was there not some of the stock that was not entirely paid for so far as the Home Life was concerned? A.—I don't think so. I don't remember any case of that kind.

Q.—You say it was purely and entirely a balance of interest and not a balance of principal? A.—Well, that was the impression I had, I was not the bookkeeper of either the Home Life or the Homestead.

Q.—But then you would know about that? A.—Well, I thought I did know, but I did not.

Q.—You found afterwards that you did not know? A.—Yes.

Q.—Then the interest was being paid by the company in the same way that the loss on the Schloss Sheffield was being paid by the company? A.—Yes.

Q.—Although the Superintendent of Insurance had asked you or demanded of you that you should take that Schloss Sheffield out and that the directors should assume the loss, and you gave him evidence to satisfy him that that had been done, the directors were afterwards going on paying out of the company's funds the loss on the Schloss Sheffield; that is right, is it not? A.—Yes, I think that is correct.

Q.—Then, having charged the items up to your account how did you or the directors seek to pay them? A.—Well, it looks as if they sought to pay them through me.

Q.—It would appear in your account and then were any monies voted to you by the company to offset that item in the books? A.—There were two votes made to me by the directors of the company.

Q.—I would like you to turn up the actual votes. I think one is at page 379 of the Executive minutes? A.—I have 379.

Q.—Is there a vote there of \$1.100 for you? A.—Yes, on motion of Mr. Curry, seconded by Mr. Diver.

Q.—Would you give the date of that resolution? A.—December 19th, 1904.

Q.—Read the motion, please? A.—“Moved to appropriate and pay the Managing Director the sum of \$1.100 in recognition of his services in the year 1892, during which no compensation was paid.”

Q.—This resolution was passed when? A.—December 19th, 1904.

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Q.—Twelve years after the year for which you were getting this salary voted to you? A.—Yes.

Q.—They were voting you a salary in 1904 for 1892?

MR. KENT: I suppose that was the nearest peg that could be found on which to hang the amount?

MR. TILLEY: Another peg was found later. Do you know who proposed that it should be done in that way? A.—I couldn't say that, sir. I see that nearly all the directors were present at that meeting.

Q.—Who were present? A.—Dr. Briggs, Frederick Diver, Dr. King, John Firstbrook, J. W. Curry and R. A. Wood.

Q.—Under the contract you are alluding to in 1898 there was no question that you were not entitled to a cent for 1892? A.—I don't think that is a fact.

Q.—Why not? A.—I don't know that there is anything to prevent the Board of Directors from voting an allowance, if they see fit. I was not claiming anything.

Q.—I should not think so, Mr. Pattison. I do not think you would be claiming anything at any rate. Paragraph 4 of your agreement of 1898 provides that in consideration of this contract that you were getting from the company you agreed to cancel and terminate the previous appointment and release and discharge the company from payment of all remuneration which may be now due to him from the said parties of the first part, and further agrees to perform the duties of Managing Director to the best of his power and ability during the said 15 years, and so on. That is after a recital saying that some of your remuneration in previous years had not been paid, you, by that contract, released the company from all liability in respect of it? A.—Well, I have not tried to conceal the facts. I stated them frankly to Mr. Stratton, as I am to you here now.

Q.—I do not know that it does any good to say you are not trying to conceal the facts, you are giving your evidence. But the real transaction was attempted to be concealed in 1904? A.—The real transaction was not attempted to be concealed from the directors of the company.

Q.—We are looking at it in a broader way than that. The Insurance Department had required you to have the Directors pay this and this is the manner of having the directors pay it: the directors commence paying you remuneration to which you are

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not entitled, for a year 12 years past? A.—When the matter was placed before the directors in that light they at once made that transaction good.

Q.—The directors saw the light when they were passing these resolutions just the same as they ever could afterwards; they must have appreciated it? A.—I don't think they did. At least I could not conceive that they did.

Q.—You could not conceive of the directors appreciating it? A.—No, I don't think so, or else I don't think they would have done it.

Q.—Then take the next move at page 406. A.—I have that.

Q.—What date was that? A.—September 20th, 1905.

Q.—Who were present at that meeting? A.—J. W. Curry, K.C., John Firstbrook, Rev. Dr. Briggs, Frederick Diver, Dr. John S. King, R. A. Wood, Mr. John S. King, and myself.

Q.—What resolution was moved? A.—“Mr. King moved, seconded by Dr. Briggs, that the sum of \$2,100 be appropriated and paid to the Manager, Mr. Pattison for his services as Manager of this company for the year 1895.”

Q.—1894 was it not? A.—It says '95 here.

Q.—That is my mistake then? A.—“During which year no salary was paid him” and that he was authorised to draw cheques and so on.

Q.—Was no salary paid to you in 1895? A.—I cannot tell you now. I would have to refer to the books to see.

Q.—Now, the directors knew that they were expected to make good this loss? A.—Which loss?

Q.—On the Schloss Sheffield? A.—Oh, I think they appreciated that afterwards. I don't know what they did at the time.

Q.—They would have because the Superintendent had sent in his report. You told them of that I suppose? A.—Yes.

Q.—Mr. Blackadar had sent in his report? A.—The fact of making the note jointly by the directors would show that they were all cognizant of that.

Q.—Then at page 29 of the new Minute Book there is a reference to a demand on you for the return of \$2,100. Was that repaid? A.—No, I don't think so.

Q.—Any part of it? A.—Yes, I believe there was part of it repaid.

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Q.—What was paid? A.—My recollection was that it was \$1,300, but Mr. Walker said \$1,700.

MR. WALKER: It would be \$1,300; \$1,400 net. We put it through our books \$1,900 and charged a matter of \$400 or \$500 to interest.

MR. TILLEY: Why did you do that Mr. Walker?

MR. WALKER: We put it through that way to have the whole vote back. We claimed that the \$2,100 with what we had paid in interest, whatever the amount was, \$1,900 I think it was, that the account did not bear that much interest.

Q.—This is the Homestead interest?

MR. WALKER: Yes, we knew that we actually owed somewhere in the neighbourhood of \$500 so we put the transaction through crediting the \$1,900 as received on account of that salary vote and charging the \$500 odd and interest.

MR. PATTISON: That would account for the whole sum.

Q.—Who paid the monies, Mr. Walker?

MR. WALKER: The cheque came from the solicitors who were acting generally for the Home Life and Mr. Pattison. I saw the cheque, but I don't remember how it was paid.

Q.—Did you pay any part, Mr. Pattison? A.—I think I did. I had paid this money I had received to the Canadian Homestead.

Q.—Did you pay on this demand that was made by the Company after amalgamation to make good the votes to you—did you pay any part of it? A.—I think I paid \$1,300.

Q.—You paid \$1,300 yourself? A.—I think so.

Q.—Were you re-imbursed that by the other directors? A.—No, that was an account with the Canadian Homestead Loan Company.

Q.—Then the loss on the Schloss Sheffield, did you pay your share of that? A.—Yes.

Q.—\$143, I think it was.

Q.—I think we got that on the notes the other day. Each one paid his share. A.—Yes.

Q.—Has there been any discussion amongst the directors of the Home Life in the last few days, the old directors, to pay back to the company any portion of that \$80,000? A.—I could not answer that. I could speak for myself.

Q.—Has there been any discussion with you? A.—No.



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Q.—No director has suggested it?  
A.—No.

Q.—Not one of the parties that received any portion of the \$80,000 has made the suggestion that it should be returned? A.—No.

Q.—Or any part of it? A.—No.

Q.—Or requested you to make any return? A.—No.

Q.—Or offered to return their share if you would return any part of yours? A.—The matter has never been discussed at all.

Q.—Then you had another unauthorized investment in a Dominion Iron and Steel Bond? A.—I don't know that that was an unauthorised investment. I had an opinion from Alfred Hoskin, K.C., stating that that was within the powers of the Company. The Department thought it was not, but that was taken under a clause in the Insurance Act which gave us the right to take it any way; it was additional security for a debt owing to the company. However, when the question was raised we sold the debenture.

Q.—At a loss of about \$165? A.—I think it was \$165.

Q.—Which the company paid? A.—I wanted to sell it when we got it, but the directors thought we had better keep it. It was taken on the books at its market value at the time we got it.

Q.—Then will you tell us the arrangement that was made as to Grand Valley bonds. Did the Homestead Company enter into any written agreement to underwrite a certain number of bonds? A.—Yes.

Q.—How many bonds? A.—\$100,000.

Q.—Where is the agreement? A.—I have asked that that agreement be sent down. I don't think it is here. In moving the Loan Company's papers they have not been able to place their hands upon it and I have asked that the original be sent from the Railway Office.

Q.—That is the Grand Valley Railway Company? A.—It belongs to the Von Echa Construction Company. but we have access to it there.

Q.—What about the Canadian Homestead, it must have a copy? A.—Well, I say they cannot put their hands on it. I was over there this morning.

Q.—What was the arrangement as to price of those bonds? A.—Which bonds do you refer to?

Q.—The underwriting bonds? A.—The Home Life and the Homestead

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signed an agreement to pay 90 for the bonds with 50 per cent. of the stock.

Q.—That was the written agreement? A.—Yes.

Q.—Was there anything in the agreement as to a balance of 50 per cent. of stock? A.—No.

Q.—That was excluded from the agreement, was it? A.—It was not in the agreement.

Q.—Was there any arrangement as to an extra 50 per cent. of stock? A.—There was no arrangement for an extra 50 per cent. of stock.

Q.—Mr. Firstbrook told us yesterday that there was some arrangement? A.—Well, I did not understand it the way he did.

Q.—Tell us how you understood it? A.—I understood that 50 per cent. of stock was all that was going with the bonds.

Q.—And where was the other 50 per cent. of stock going? A.—There was not any other 50 per cent. so far as I was concerned.

Q.—So far as Mr. Firstbrook was concerned? A.—Mr. Firstbrook had a certificate of 250 shares, which he claimed he had no interest in, and gave to the company, I believe. You have his evidence which is correct.

Q.—I would like to have your evidence, Mr. Pattison, and I do not want the thing slid over that way; I want to know what the arrangement was at the time? A.—I am giving you the arrangement at the time.

Q.—No, you are telling me something that happened when the new company made a demand for stock and the position certain parties took then. I want to know the arrangement under which that stock got into Mr. Firstbrook's possession? A.—The stock was all sent to the Canadian Homestead Loan Company.

Q.—That is 100 per cent. of stock? A.—No, 75.

Q.—How do you get 75, where does that come in? A.—I cannot tell you that. I am telling you what is the fact. 75 per cent. of stock was sent to the Canadian Homestead. That is, with the \$100,000 of bonds there was \$75,000 of stock. The agreement was that no stock was to be delivered until all the bonds were sold. In carrying out the transaction I believe that 50 per cent. of stock was delivered concurrently with the bonds.

Q.—To whom? A.—To the purchasers of the bonds.

Q.—75 per cent. of the stock was delivered to the Homestead Company? A.—The Canadian Homestead.

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Q.—Under the agreement that the Canadian Homestead Company had signed, it was only to get 50 per cent.?  
A.—Only entitled to 50 per cent.

Q.—Why did it get 75 per cent. if it was only entitled to 50? A.—I cannot tell you that.

Q.—Oh, yes, you were in the negotiations? A.—I don't know.

Q.—You were the Manager of the Canadian Homestead? A.—I was, yes.

Q.—I want you to tell us just as you understand it, why there was 75 per cent. of stock sent to the Canadian Homestead if it was only entitled, under the agreement to 50? A.—Well, I don't know, unless the contractor desired to give that stock to Mr. Firstbrook.

Q.—Desired to give how much stock to Mr. Firstbrook? A.—The 25 per cent.

Q.—Was that your understanding at the time? A.—No, I had no understanding with him about Mr. Firstbrook. He spoke to me about stock.

Q.—What did he say to you about stock? A.—He offered me 25 per cent.

Q.—Would that make the 100? A.—That would make the 100, yes.

Q.—Was that 25 per cent. to be for you absolutely? A.—Absolutely.

Q.—Was that the way you understood Mr. Firstbrook's was to be? A.—Well, I say I did not understand Mr. Firstbrook's. I understand my own.

Q.—You had no discussion about Mr. Firstbrook's? A.—Not at all.

Q.—No discussion at all? A.—Not that I recollect now.

Q.—And what did you say about the 25 per cent. that was offered to you? A.—I refused to accept it.

Q.—Why? A.—Because I didn't think I could accept it.

Q.—Why not? A.—I would not be entitled to it, I didn't think.

Q.—Who would be entitled to it? A.—I don't know that anyone would be entitled to it. I refused to accept it, that was all.

Q.—What happened to the 25 per cent. that was offered to you? A.—The 25 per cent. that was offered to me—when it was offered I said, no, I don't care to accept that, if you have any stock that you can issue I want you to deposit it with the Canadian Homestead Loan Company as a security under your agreement that the road will be completed and that was done.

Q.—What was done when the road was completed and the security was

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released? A.—It would be returned to the owner, Mr. Ickies.

Q.—Why not have the 25 per cent. of stock go with the bonds? A.—That was not the agreement; the agreement was 50 per cent.

Q.—But the company was offering an additional 25 per cent. of stock? A.—Yes, they were offering it personally, not to the company.

Q.—Why did you not take it for the company, if you did not want it personally? A.—That aspect did not present itself to me. I thought he was offering a share certificate, to which I attached very little value, but which I did not see that I ought to receive, and I refused it, that is all.

Q.—100 per cent. of stock was going with some of those bonds, you know that? A.—No, I don't.

Q.—Don't you know of any persons that got 100 per cent. of stock? A.—Only before the road was built.

Q.—This was before the road was built? A.—No, the road was in operation to the extent of 7 or 8 miles, and under construction for the other 8 miles. It had been in operation for 2 or 3 years.

Q.—So 75 per cent. of the stock went to the Homestead and then the Homestead gave 25 to Mr. Firstbrook, transferred it to him? A.—It was all issued at one time and went to the Canadian Homestead and I think all of the shares were allocated so far as bonds had been subscribed. That is to say that the stock going to the Home Life was issued in trust for the Home Life, and the stock going to the Canadian Homestead apparently was issued in trust for the Canadian Homestead. Then the additional shares that would go with the unsubscribed bonds, when the bonds were subscribed were issued to the Canadian Homestead in trust.

Q.—That accounts for 50 per cent.? A.—Yes.

Q.—Now the other 25? A.—That was issued in the name of Mr. Firstbrook and sent to the Canadian Homestead.

Q.—And given by you to Mr. Firstbrook? A.—Not until the contract had been completed.

Q.—When? A.—The line was actually finished into Galt on the 15th of last November.

Q.—When did you give it to Mr. Firstbrook? A.—I think January or February of this year.

Q.—You mean to say you held the certificates in the meantime? A.—I held all the certificates until the transaction was completed.

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Q.—You held all the certificates, including the certificates for the Home Life? A.—No, I think they were delivered with the bonds to the company.

Q.—What about other purchasers? A.—Any purchaser that became entitled to stock.

Q.—Then you held that 25 per cent. of stock as security in the way you have spoken of, the same that you held the other 25 per cent. which was offered to you? A.—It was a different transaction I think. I was holding the Grand Valley Railway stock as a security for the completion of the railroad; I was holding the Canadian Homestead stock as a protection of the Canadian Homestead for the completion of their underwriting. Two different transactions.

Q.—And you held Mr. Firstbrook's as part of the Canadian Homestead? A.—Yes.

Q.—Under that arrangement? A.—Yes.

Q.—So that at the time those bonds were sold 100 per cent. of stock was being offered at any rate in the shape of 50 set out in the agreement and 50 more not mentioned in any document but offered to you and Mr. Firstbrook? A.—Well, it was only in connection with the underwriting of a large amount of bonds. I know that no bonus of that kind was given with bonds prior to that time.

Q.—I am not asking you anything about that? A.—I want to make it clear that this was not a common thing.

Q.—It may not have been a common thing, but you know that it was not the only instance of 100 per cent. of stock going with those bonds? A.—I want to say that except at the inception of the company, before the railway was built at all, I was told that 100 per cent. of stock had been given with the bonds. But at the time we bought the bonds, the first purchase of bonds made by the company, 50 per cent. was all I could get. I tried to get more and I found that that was all that was being given and it was more than had been given in some cases. Now whether any special case exists where a man got more or not I don't know, because I had nothing to do with the selling of them. I wish to make that clear.

Q.—Whatever the reason was, there was 100 per cent. of stock being offered with these bonds? A.—Well, it was not offered to us. 50 per cent. was offered.

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Q.—50 per cent. was put in the agreement and then 25 was offered to you and 25 to Mr. Firstbrook? A.—That is the fact.

Q.—And the company could have received the whole of that 100 per cent., if you had said so? A.—I don't know that, sir. I don't think Dr. Ickies would have given the stock under those conditions.

Q.—You think he would prefer giving it to you personally to letting it go with the bonds in the regular way? A.—Well, I am under the impression that when he offered it to me personally, that he meant that, that he did not intend to offer it to the company.

Q.—The offer was made to you personally to take the stock and you were not taking any bonds? A.—I purchased \$10,000 of bonds.

Q.—As part of the underwriting? A.—Yes.

Q.—But you were not dealing directly at that time for your personal holding and that was part of the general underwriting arrangement? A.—Yes.

Q.—And the only reason for offering you that stock would be to influence you in your position as Manager of the company? A.—I don't think so, no.

Q.—What would be the object? A.—I think, perhaps, it was his desire to recognize the services that I had been able to render him in the construction of his road.

Q.—In what? In the loans that had been made? A.—No, not in the loans made, but I had been able to assist him in selling a good part of his bonds, outside entirely of the company's.

Q.—Were you paid for that? A.—No, the agents who sold the bonds got the commission.

Q.—And you did not get any? A.—I did not get any.

Q.—Do you say seriously that you did not get any commission on the sale of bonds of the Grand Valley Railway? A.—Well, when I was in commission I had perhaps 4 or 5 hundred dollars; I spent more than that a good deal in advances to agents that were not returned.

Q.—But you were in it on a commission basis? A.—Do you mean that I was buying and selling bonds?

Q.—You were selling bonds, not buying them, on a commission basis, acting as a direct agent of the Von Echa Company? A.—No, I was assisting the Doctor to finance his road.



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Q.—And the Von Echa Company was Dr. Ickies? A.—Yes, that is right.

Q.—And you were selling the bonds for Dr. Ickies or his company? A.—Yes.

Q.—At the same time that you were Manager of the Home Life and the Homestead? A.—Yes.

Q.—We will go into the bonds on the company's books after the adjournment, if your Honors please.

MR. KENT: This afternoon, Mr. Pattison, I shall ask your opinion as to the duties of the directors in life insurance companies, and I would like you to give the matter a little attention before the question is put, because you are one of the few men prominent in insurance matters at one time, and now retired; therefore you can give me a candid opinion without injuring your future prospects. The directors I have in mind are not those who hold the positions of President, Vice-President or Treasurer, but ordinary directors.

(Adjourned to 2 p.m.)

#### AFTERNOON SESSION.

Resumed at 2 P.M. Wednesday, September 12, 1906.

#### INDEPENDENT ORDER OF FORESTERS.

MR. SHEPLEY: With Your Honors' permission, before Mr. Tilley proceeds further with the examination that he is conducting I want to state a proposition to Your Honors for the purpose of having a ruling upon it. This is done pursuant to an arrangement between my learned friend Mr. DuVernet and myself. Early in the inquiry, and of course in advance of anything being laid before Your Honors at all, the question was raised as to whether or not we were entitled to examine into the affairs of the Union Trust Company. My learned friend, Mr. DuVernet and I arranged that there should be an ad interim conditional inspection of the books of the Union Trust Company, it being understood, however, that I should not make use of that information before the Commission without having a ruling upon the subject. That arrangement was very satisfactorily carried out until Mr. DuVernet went to England, and we have not

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been so fortunate since he went away, through no fault of his at all, because he carried out his arrangement absolutely. The point I submit is this, and I shall not state anything that is controversial at all. The Foresters were the holders of the capital stock of the Union Trust Company, indeed it was organized by the body known as the Independent Order of Foresters. Somebody I think says not all; there may have been fifty shares, perhaps some small quantity, that were held in the names of officers, whether their own property or not I do not know, at all events substantially the whole of the stock was the property of the Foresters.

MR. NESBITT: A large majority of the stock, I understand.

MR. SHEPLEY: I see the book value that is placed upon that in the report for 1904 is \$2,194,500; that includes of course the premium. The Trust Company was therefore the creature of the Foresters; not only did the Foresters own the stock, but the Trust Company was entrusted with the investments of the Foresters to a very large sum of money. We therefore take it to be our duty in examining the affairs of the Foresters to inquire into the administration of the funds of the Union Trust Company, and that is the point which I submit for Your Honor's consideration. We have 19,950 shares of the Union Trust Company stock returned year by year to the Government as the property of the Foresters. I need not take up further time. Similar questions have been before your Honors from time to time in the affairs of other bodies. My learned friend Mr. Tilley tells me the figures are 24,950 out of about 25,000.

My learned friend Mr. DuVernet had a further point, and that was this, that he represented a new element in the affairs of the Union Trust Company. Since your Honors began sitting on this Commission there has been a transfer of the majority of the stock by the Independent Order of Foresters to a certain gentleman whom my learned friend Mr. DuVernet represents; and I think my learned friend desires to have submitted also the question whether or not that change in the ownership would make a difference in our right to examine into the affairs of the Company. I of course submit it can make no difference, that our Inquiry cannot be confined because the ownership in the shares has changed

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since the transaction in respect to which we think inquiry ought to be made.

MR. WALLACE NESBITT: I appear in regard to the Union Trust Company and several other interests which are under subpoena, and thought it desirable to get placed before the Commission at this early juncture the view that we entertained in reference to the scope of the whole Inquiry. The Inquiry is into the general subjects of life insurance and life insurance systems in Canada, (b) The operations of the various companies chartered by the Parliament of Canada or by any Province, and licensed under the Insurance Act, transacting life insurance in Canada, including expenses of management, investment of funds and other allied questions. To make the like inquiry so far as deemed necessary into the operations of companies other than those chartered by the Dominion or Provinces transacting in Canada the business of life insurance.

(3) To inquire into the operation of the laws of the Parliament of Canada relating to and governing the business of life insurance, both as regards Canadian companies and companies other than Canadian and to consider and report upon any amendments thereto that may be deemed necessary.

It is only under the sub-head of clause (b) that there can be any question here, that is "Including expenses of management, investment of funds and other allied questions." I have been instructed to say that so far as the Foresters is concerned that company holds itself open to the fullest possible inquiry within the scope of this Commission, anything relating to insurance, anything relating to the conduct of its affairs, and so on, its rates of premium, membership, expenses of management and the like, just as in the case of other companies so far as one knows examination has been conducted, they are quite ready to submit to. In the case of the Union Trust Company my instructions were and are that while that company owned a majority of the shares in the Union Trust Company that there was a minority, call it as minute as you please, but a minority and a bona fide minority, as for instance, to illustrate, the learned Chancellor Sir John Boyd was a stockholder in his own right, Hon. G. W. Ross was a stockholder in his own right, Mr.

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Matthew Wilson was a stockholder in his own right, and an original holder. About these I am instructed there can be no dispute. I am also instructed that the Union Trust Company wherever it invested funds for the Foresters pursued the policy that has been pursued to my own knowledge by other companies, and one of the Commissioners I think will have full knowledge as to the Toronto General Trust practice, in the past at least, I don't know what it is at the moment, that these funds were ear-marked, and the security was guaranteed by the Union Trust Company. As to any such fund, as to any such security there is—we need not conceal as likely to be in question—there is one security over which a great contest has raged, a million dollar mortgage for a company on certain lands, now reduced to \$800,000—that is ear-marked, it is guaranteed by the Union Trust Company; as to the value of that security, as to whether it was wise or foolish to make such an investment, the nature of the security, whether it is properly drawn so as to protect the interests of the company and so on, there can be no question this Commission has full right of inquiry, and that will be granted. That such inquiry and no further inquiry has been made is perfectly evident, for instance, several of the companies invested in a company that is now the subject of a great deal of discussion in the public print, the Electrical Development Company of Ontario. I should have been surprised if this Commission had dreamed for a moment that it had a right to inquire into the personnel of the directorate of this company, as to whether any of those directors were also directors of insurance companies, as to whether the original stock and bonds were issued for 100 cents or 90 cents on the dollar, or at 125. I supposed the inquiry was limited as to the nature of the security, whether it was wise to take it, and the like, as to its value. So with Sao Paulo, so with Mexican, so with various street railways.

Now, then, the Union Trust Company say that since and before this Commission very large interests have been acquired in England. I understand the proportion is something in the nature of 15 to 10. Is it to be said to these gentlemen who made so full inquiry through solicitors as to the whole of the affairs that this company is to be singled out and its affairs and its method of management is to be gone into? Why not other

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trust companies? If trust companies, Provincial trust companies are to be examined into we are quite content to be put upon a par with the four or five other existing companies to see as to how funds are managed, to see as to their methods, to pry into their books and so on. That will necessarily involve a change in the personnel of this Commission, but I merely point out we do not desire to be made an invidious distinction of for any possible reason. The suggestion that this company owned a majority of the stock is not a sufficient reason. That company as a company is as distinct as I am distinct from the stenographer who is now taking down my words. You have an absolute right we submit, and you are confined absolutely to your right, to inquire into what securities, if any, are held by that company for the Foresters, what moneys have been invested, in what securities, what the nature of those securities are, and whether they were well taken or ill taken, and there you stop, just as you have stopped in the past with every other trust company that I know of that has been the subject of investigation.

Now then there is another matter we may as well deal with at the same time. I have before me a subpoena addressed to Hon. George E. Foster. That asks him to bring before this Commission the papers and affairs of a number of companies, amongst others the Independent Order of Foresters—I may say that Mr. Foster tells me he has never been a member of the Order of Foresters other than an honorary member, he has never paid any dues, he has no connection, good, bad or indifferent with the Foresters any more than I have at the present moment. (Reads from subpoena.) The Union Trust Company. He was the Managing Director of that but is no longer. The Kamloops Lumber Company, the Independent Lumber Company, the Great West Land Company, the Shuswap Shingle and Lumber Company, the Okanagan Lumber Company. He is asked to produce the books of all these companies, and he is also asked to produce his own private cheque books, and everything of that kind. Just in reference to that I may say, and again we need not blur the facts, it is known throughout the country that the statement has been made—the affairs of one of these companies made a good deal of discussion on the floor of the House last Session, and it has been broadly stated in more forms than one that Mr.

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Foster's private affairs from when he was born practically were to be taken up and inquired into by this Commission, and therefore the subpoena naturally brought him for advice as to the powers of the Commission to deal with these companies. On the 22nd August, Mr. Cross was written by Mr. W. H. Hunter in the following terms:

"Dear Sir,—Referring to the matters discussed in our recent interview I submit the following summary:

"THE KAMLOOPS LUMBER COMPANY: July 13th the Manager of the Union Trust Company gave you a memorandum which set forth the officers and directors of this company, the share list of the company and the directors' fees paid by the company as well as the financial statement and balance sheet for the year ending June 30th, 1905. You have also been informed that the Union Trust Company is the Secretary-Treasurer of the Kamloops Lumber Company, Limited, and that the head office accounts of that company are kept in the office of the Union Trust Company, and that these accounts were open to your inspection. The balance sheet for the year ending 30th June, 1906, will be available when the auditor of the company, who is at present in the North-West, completes his work.

"THE INDEPENDENT LUMBER COMPANY, LIMITED: The head office of this company is as you have been informed at Regina, Saskatchewan, and the books of the company are kept there. A memorandum has been furnished in answer to your request and is enclosed herewith showing the officers and directors of this company, the share list and the directors' fees. A draft of the statement of the company as of the 30th June, 1906, is enclosed herewith, the balance sheet will be available when the auditor completes his work at the head office of the company.

"In the case of the Kamloops as well as in the case of the Independent Lumber Company there has been no loan by the I. O. F. to either of these companies. The investment has been made by the Union Trust Company of its own capital and the information"—

The importance of that is that that capital as now represented—the transaction can be inquired into by which the Independent Order sold out to the present shareholders, but that capital as now represented is owned as to the major part by independent people in England and elsewhere who



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only are interested in these securities, and so on, and as to the position of these companies, and there is the importance of the change that has been made—

"The investment has been made by the Union Trust Company of its own capital and the information that has been already given and the inspection of the accounts of these two companies is without prejudice, as I am instructed to say, to the right of the Union Trust Company to object at the proper time to the jurisdiction of the present Commission to require production by the Union Trust Company in connection with these companies."

That objection is now being taken as forcibly as I am able to maintain it. (Continues reading from letter of August 22, 1906.)

"THE GREAT WEST LAND COMPANY: I am instructed that the Union Trust Company acted as Secretary-Treasurer of this company up to the last annual meeting of the company when the Hon. George E. Foster was appointed Secretary-Treasurer and received from the Union Trust Company the books and papers belonging to the company. You have been furnished with a list of the shareholders and officers and directors of this company by Mr. Foster. The receipts and expenditures of this company while the Union Trust Company was its Secretary-Treasurer are, I think, to be found in the account the Union Trust Company has in its books of the advances made by the Union Trust Company upon the security of the lands of the Great West Land Company. These accounts as well as the papers connected with the advances from time to time made are open to your inspection. If after examining these there is any other information which you think necessary for your purposes I have no doubt Mr. Foster will upon request supply the same.

"THE WESTERN CANADA SETTLERS MUTUAL LAND COMPANY: A memorandum has been obtained from the Hon. Dr. Montague in respect to this company and is enclosed herewith. The account of the Union Trust Company with this company and the papers in connection with the sale to the present proprietors are open to your inspection.

"As I understand it the attitude of the Union Trust Company is this, in compliance with the request of the I. O. F. to them, they have or will

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produce for your inspection, although they do not admit the legal right, all the accounts and papers in their hands or under their control relating to these matters."

I now take the position as to all these companies that as to any transaction with the Independent Order of Foresters by any of these companies, either by way of borrowing or otherwise, this Commission will be furnished the fullest possible information as to the security, the terms of the security and the like, but we entirely dissent from, and object to the right of this Commission to single out Hon. George E. Foster or Dr. Montague or others who happen to be connected with these companies, or to single out these companies which have no connection whatever with the Foresters other than as borrowers, and to ask them to produce their books, to go into their affairs, their methods of management, their expense accounts and the like. That you have no more to do with than you have with the one hundred and one companies the securities of which are held up to several millions of dollars by other insurance companies and the affairs of which other companies, the securities of which are so held, no one has ever suggested up to the present time you had any right to inquire into. We shall, therefore, respectfully decline to produce any such books and papers and regret if the Commission see fit to add something to the powers of the Commission which I certainly fail to find there, for I again repeat, they refer absolutely to the expenses of management of the particular insurance company, the investment of its funds and other allied questions, which is, as the learned Chairman will know, merely ejusdem generis as to the investment of funds; but as to the legal status of borrowers, as to whether a borrower is a person of good personal character or not I apprehend you are not in the least concerned. If a mortgage is produced from John Jones you inquire as to whether there is a John Jones, and whether there is a bona fide security, and as to its amount, whether he has a farm that is worth, if the mortgage is for \$4,000, worth \$8,000 say; but I do not apprehend you are going to inquire as to whether he has carried on some other business, as to his moral character or anything of that kind, or as to whether somebody has said that John Jones is not a respectable citizen and the like. To my mind it is as daring

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an excursion which is now being attempted into the affairs of these gentlemen.

MR. DUVERNET: Would Your Honors allow me to add one or two words. I appear in this matter for the new Board of the Trust Company. The new Board are composed of gentlemen, the majority of whom have no interest whatever in the Foresters. The Foresters do not control either a majority of the stock or a majority of the Board of Management. When I was spoken to by my learned friend Mr. Shepley, and first of all by Mr. Cross, I intimated that so far as we were concerned, that is the Trust Company, every facility in our power would be given to this Commission where an order was produced from any customer of ours, but I said that to my mind I could not conceive of a more extraordinary request than that the affairs of the Union Trust Company, as a Trust Company, should be investigated, and the affairs of our other customers, our trust estates should be gone into generally by any person unless they had the authority of the power which created them. We are a Provincial company, and I take it it makes no difference whether at one time a majority of the stock was held by the Foresters or not, and certainly I am sure that one of the Commissioners would agree with me that nothing could be more unseemly than that the affairs of another trust company should be inquired into by the Managing Director of what I may call a rival trust company. I represent English investors who have put their money into this company and who are prepared to put millions of dollars in to this country for the proper enterprises, trusting and relying on the fair play and justice of Canadians. On the Board of Directors we have Mr. Thomas Willis Chitty, Master of the Supreme Court in England, one of our Directors. I certainly do not expect to write him and tell him that one trust company has been singled out for investigation for certain reasons, which may be all right in themselves. If an investigation of trust companies is required we are prepared to join in a petition that all trust companies may be investigated. Those whom I act for desire the fullest investigation. They have put their money into this matter in good faith, and too great care cannot be taken to see that the law is observed both in investments and in the care that is taken by the directors. We therefore take the position, with greatest

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respect to this Commission, and I think the Commission will see the reasonableness of it, that if there is to be an investigation of a trust company as a trust company then it must be general, it must not be specific; one trust company must not be singled out. We are prepared, as I say, to join in the fullest inquiry, and request for the fullest inquiry, by the proper authorities. I may say while taking this position and taking it strongly, I said to Mr. Shepley so far as we are concerned we will give you the fullest inquiry. We have nothing to conceal; it is only a matter of principle with us. I left for England, and my instructions were perfectly plain that Mr. Cross, whom I knew to be an honorable gentleman, should have the fullest investigation into our books, because I knew he would not take any advantage of anything that might appear there. We have a great many trust accounts, we act for a great many estates, a great many people who have trusted us with their money and with their property, and we say it would be a monstrous thing that there should be a specific inquiry into the condition of this company. We have been notified by a company whom we act for that they object to having their books brought in. Under these circumstances we can only take one course. So far as the Foresters are concerned they said to us give this Commission the fullest inquiry as far as we are concerned, and I think the letter that Mr. Hunter wrote and my instructions have been that you should have the fullest inquiry. Now I would respectfully submit to your attention one or two authorities which I venture to submit show conclusively that the only power to investigate a trust company rests in the province which created it. I would ask your attention to the case of *Attorney-General for Ontario v. Attorney-General for the Dominion*, 1896, Appeal Cases 348. *Building and Investment Association v. Attorney-General of Quebec*, 9 Appeal Cases 348. *The Liquidators of the Maritime Bank v. The Receiver General of New Brunswick*, 1892, Appeal Cases, 437, and also 20 S.C.R. 695. *Quebec v. Union Fire*, 10 Practice Reports, 313. *McClannagan v. St. Annes*, 2 Cartwright's Constitutional Cases, 237. *Citizens v. Parson*, 7 Appeal Cases 96. There is one Quebec case I would like to refer to, the *Union of Montreal v. Belle Isle*, 6 Privy Council 31. There it was held that any company where it is of local

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or private nature within the Province by section 92 of the B.N.A. is assigned to the exclusive competency of the Provincial Legislature. It has been held for instance that Provincial railroads are exclusively within the jurisdiction of the Province. As Your Honors know this trust Company was created, is a creature of the Provincial Government and is under the control of the Provincial Government, and what we venture to submit is this, if there is to be an investigation of trust companies it must be under a Commission or under an authority of the Provincial Government and not by the authority of the Dominion. The Union Trust Company have been advised that in so far as they are concerned this Commission has no jurisdiction. I am submitting the authorities which no doubt Your Honors will look at and see whether they bear out the construction that has been put on them by counsel. I thank Your Honors for your kindness in hearing me.

MR. SHEPLEY: I have been perhaps at some time or other familiar with all the authorities that have been cited and I am quite unable to see how they bear on the question which is for your Honors' determination. The public statute under which this Commission is constituted is wide enough to cover all matters affecting the good government of Canada, and while the Provincial authorities undoubtedly have power to create Provincial corporations for Provincial objects the Provincial authorities cannot by creating such a body take away the jurisdiction of Parliament to legislate for the good order and government of Canada. None of the cases will be found—I speak from recollection, and my learned friend's memory will no doubt be more recent and accurate than mine—none of these cases will be found to go further than to lay down the general proposition that this class of subject, or that class of subject is within the legislative competence of the Province. None of them militate at all against the general principle which has always been laid down in the British North America Act and all the decisions under it, that the Parliament of Canada legislates with regard to matters concerning the good government of Canada. After all, apart from that question the matter for Your Honors' decision is of the simplest, and but for the very earnest arguments that have been addressed to Your Honors

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I should not have thought there would be any doubt about it. Let us apply the principle Mr. Nesbitt lays down. You have authority to inquire into the management of investments on behalf of or by the Independent Order of Foresters. Among the investments is an investment in the capital stock of this Trust Company, and in addition to the investment in the stock of this Trust Company has handled funds, so that taking it in the large, taking them altogether between five and six millions of money of the Foresters are being administered by this Company, or has been administered by this Trust Company. If it is conceded that your authority extends to the examination of investments of the Foresters it must extend to the conduct of that investment by whoever has been conducting it, and if the Trust Company has five millions of money of the Foresters, and has been investing it and dealing with it, everything that has been done by the Trust Company is a legitimate and proper subject of inquiry here. It seems to me the whole case is in a nutshell. I do not deal with the argument, because I can hardly conceive it to have been seriously addressed to Your Honors, that you must, if you take up this Trust Company, take up all the other Trust Companies. Of course you have no such jurisdiction. You would have jurisdiction if the funds of this Order, or the funds of any insurance company into whose conduct you were inquiring were found to be invested in the stock of the Toronto General Trust Corporation or handed to the Toronto General Trust Corporation for investment and invested by it; you would have just the jurisdiction I am submitting you have here.

MR. NESBITT: The Canada Life held and hold Toronto General Trust Company stock. I do not differ a great deal with what you are saying, where it is security you can inquire fully into the security, but because—

MR. SHEPLEY: And if this Commission have any reason to suppose that any particular security managed by any particular agent had anything to be inquired into in connection with it it would have been inquired into. We are not singling out anybody, we are not singling out these gentlemen for any other reason than they are the gentlemen who are able to tell us.



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MR. NESBITT: It was stated in the House that they would be by this Commission—

MR. SHEPLEY: I do not know what my learned friend is referring to; the conduct of this Commission is before the public, and all I can say is that I have not said anything upon the floor of the House, nor have I heard anything said upon the floor of the House which at all affects the legitimacy of the Inquiry which I am proposing to Your Honors to make.

Then with regard to these subsidiary or these other companies, they stand upon the same footing. They are investments of funds made by the Union Trust Company with the money of the Foresters—

MR. NESBITT: There is no pretense of fact—

MR. SHEPLEY: With the mixed funds, five millions of which belongs to the Foresters. If you were stopped upon the threshold of an Inquiry such as this so far as the Commission is authorized to investigate the investments of insurance companies, the Commission's authority would be very much narrowed, and very little good can possibly result. We have had the same argument in the case of other companies precisely the same in principle; your Honors' jurisdiction has been doubted before and been questioned before, but the Inquiry cannot be narrowed in the way it is sought to be narrowed.

JUDGE MacTAVISH: Would Mr. Lebeuf or Mr. Hellmuth like to address us on this point?

MR. HELLMUTH: I thought your Honors had, as my learned friend Mr. Shepley had said, decided when other companies came up for investigation that where the funds or money of an insurance company were found in the hands of any other company, or where there was a community of interest even in the directorate of an insurance company and the directorate of a trust company, they could be gone into, and I think I remember some companies whose affairs were pretty well gone into before this Commission. I had assumed Your Honors had ruled upon that. I am not familiar with the facts in regard to this matter at all, I don't know how they will appear, and I should have thought that if it had been shown that the Union Trust Company, as stated by my learned friend Mr. Shepley had been really a creature of the Foresters, created by them for the purpose of in-

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vesting their funds, not directly, but indirectly an investigation into the investments made by such creature would be as proper as an investigation into the investments made by the creator of the creature. I have really nothing to add.

JUDGE MacTAVISH: Anything further, Mr. Nesbitt?

MR. NESBITT: Nothing. I would ask you to take the trouble to get before you in writing just what has been said. I think you will find that my definition in no sense hampers.

MR. LEBEUF: I have not much to say. I think the question has been pretty well sifted on both sides. My opinion is only this that I think the Commission have the right to follow the money of the insurance companies wherever the money goes, no matter whether it be into the hands of a trust and loan company or any other company. I think that is the point.

MR. NESBITT: I think the discussion has taken a somewhat wider field than my opening remarks, which are down before the Commission. I have not sought to limit in any sense what I think the widest construction of your instructions from Parliament; but we have drawn the line and drawn it distinctly at personal inquiry—when I say personal, understand a corporation, a distinct entity is as distinct as the person as to all its affairs. I say you have nothing to do with that, no money can be traced. The mere fact that they are stockholders in that does not entitle, any more than the illustration that I give where companies are stockholders, and well known to be stockholders, in other companies, that you can inquire into the directorate and into the management of all its affairs, its expenses, what salaries are paid, what moneys collected by directors, what fees they get and all the rest of it. There is no pretense that you have ever dreamed of extending your authority to such a case with these other companies. As a matter of fact when you come to it you will find that loans were tendered to the Foresters by some of these companies which were refused, and which are now held by the Union Trust Company as distinct, and I may say every dollar of the authorized money is ear-marked. The loan is guaranteed by the Trust Company, and put as Foresters' money. You have no right to go further.

MR. SHEPLEY: I should add this: I do not know that hypothetical is the

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right word to use, I have put the proposition upon the discussion that has taken place between Mr. DuVernet and myself. Of course if in any particular case my evidence falls short of justifying the inquiry Your Honors will stop it, but I thought it desirable we should have a ruling upon the principle that my learned friend Mr. DuVernet and I had discussed early in the inquiry. My learned friend Mr. Nesbitt was in error in one thing, that is in saying that the alteration in the position of the Trust Company preceded the authority of this Commission. The Commission was well on with its labors before that change took place.

MR. NESBITT: Yes; the negotiations, I believe, preceded.

JUDGE MACTAVISH: It would be much easier to rule on a concrete case when the case is presented before us by evidence. There are, however, some principles which I think should guide the Commission in its investigation, and as we have acted on them, or similar ones hitherto, I may now say that our view is that we have not only the right, but we are charged with the duty of tracing if we can the funds from the pockets of the policyholders to their ultimate destination. We are further required to ascertain whether these funds, or any part of them, have been wasted or lost on the way. We are further to inquire as to the security that represents the funds so contributed, and we should ascertain, if possible, whether those funds will be forthcoming when a claim thereto is established. Anything that contributes to the proper investigation of these particular subjects must be put at the service of the Commission. I would be exceedingly sorry if there was any impression in any person's mind that the Commission is at this late date taking upon itself the duty of a prosecution rather than an inquiry. We have avoided that hitherto, and in so far as we can we will avoid that to the end; there will be no invidious distinction made of any company or any individual as far as this Commission is concerned, but we I think must investigate the matters and the funds in the way I have indicated. Of course, as Mr. Shepley says, it may turn out in the evidence that it will not be necessary to go beyond the Union Trust Company, and not even into the Union Trust Company in all its details, but it will be necessary for us to see what has become of the Foresters' money.

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MR. NESBITT: That we are quite content to show you every dollar of.

JUDGE MACTAVISH: As to the matter which is somewhat personal to a member of the Commission here he may be permitted to say something himself.

MR. LANGMUIR: As reference has been made to me by both the learned counsel in stating that the Corporation of which I am Managing Director occupies a somewhat similar position in some respects as the Union Trust Company fills in respect of the Foresters, I may say, although I am not called upon to say, that the only client that the Trust Corporation has on much the same lines is the investment of the Court of Chancery funds. Although both the principal and the interest is guaranteed by the Toronto General Trust Corporation the Court reserves the right to itself or to any one that it delegates, and it has done so very frequently, to make inquiry into every investment. Not only that, but the investments for the Court are made in the name of an officer of the Court, and the title to every investment is examined into by another officer of the Court, and whenever we are called upon to replace a loan, which we have been on one or two occasions, it has to be immediately replaced. I have only to add that representing the Corporation I not only court but invite investigation into all trust companies' affairs. I should be delighted if a Commission issued to investigate trust companies' affairs, because I believe it is an excellent thing to do.

MR. SHEPLEY: Then, perhaps my learned friend will be good enough to renew the understanding that we may have the fullest facilities in the meantime, it always being understood that in every particular matter the objection may be taken.

MR. DUVERNET: As far as I am concerned every facility will be given my learned friend in accordance with, as I understand, the ruling of the Commission so far as the moneys of the Foresters are concerned. So far as other clients are concerned I absolutely decline to allow any investigation, no matter what ruling we may receive.

MR. SHEPLEY: In the meantime may Mr. Cross pursue his inquiry? Do you designate any particular matters that he has been asking about that he is not to—

MR. DUVERNET: My learned friend knows, and I am entirely with-

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in the Commission's ruling,, any matter that my learned friend has asked for he has had the fullest investigation. It would be monstrous to take, say the Smith Trust, which has nothing to do with the Foresters at all; but so far as any moneys of the Foresters are concerned, which they are either directly or indirectly interested in, we will give them the fullest inquiry.

MR. SHEPLEY: My learned friend always states his position quite accurately and I am sure he will on this occasion. Do I understand that you will not refuse to let us, always subject to any particular case not being properly inquired into, that you will not refuse to let us inquire into investments of the Union Trust Company funds, generally speaking of their investments as a whole?

MR. DuVERNET: Certainly not.

MR. SHEPLEY: Why cannot we inquire into the moneys contributed to your capital stock and where that has gone?

MR. DuVERNET: You might just as well inquire into the Bank of Montreal because they hold two shares.

MR. SHEPLEY: Certainly. If any insurance company had \$1,000 of stock in the Bank of Montreal then this Commission would have a perfect right to inquire into the dealing of the Bank of Montreal to see whether it is a good investment or not.

MR. DuVERNET: Every investment we take for the Trust Company is put in their name, just as one of the Commissioners put it very clearly, and I adopt, if I may say, his words in regard to the Foresters. Foresters' investments are put in the Foresters' name, they have a right to reject them, and any inquiry in regard to their description, or the investments of their funds, the fullest investigation will be given.

MR. SHEPLEY: But you hold away from me two and a half millions which is not ear-marked, which you have been investing.

MR. DuVERNET: That my learned friend will have to take the remedy as to. As far as I am concerned no power will ever make me disclose a client's business that is not relevant. Of course you see we have estates, we have confidential matters, and just think of these things being brought up and inquired into. My learned friend would be horrified to

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think of it. My learned friend and I have had no difficulty between us so far. As far as the Investigation of the Trust Company is concerned we welcome it, but what we do take objection to now is so far as other clients are concerned, and this Commission does not want to be troubled—

MR. SHEPLEY: What do you mean by other clients?

MR. DuVERNET: Money belonging to other people.

MR. SHEPLEY: We do not want to know about others.

JUDGE MacTAVISH: Of course not. Can you give us a particular case you have in mind where you think there would be a desire on the part of Mr. Shepley or the Commission to investigate, and you think that desire should not be complied with.

MR. NESBITT: Let him name the investments he wants to see that he has not seen.

MR. DuVERNET: We have not refused anything. I rely on my learned friend's discretion; there is not an investment he has suggested yet that I would not let him have the fullest inquiry into. What I am objecting to is, I am here protecting the other clients of the Trust Company—

JUDGE MacTAVISH: That have not been hurt at all.

MR. DuVERNET: No.

MR. SHEPLEY: And I have never suggested—

MR. DuVERNET: Therefore I say let my learned friend suggest—

MR. KENT: As I understand you have no objection to Mr. Shepley knowing all he wants to know, but you do not wish it to be known by the Commissioners?

MR. DuVERNET: I have no objection to the Commissioners knowing it. The Commissioners are welcome to go through our books.

MR. NESBITT: It is largely a question of principle. We are up against this: subpoenas have been served upon certain gentlemen calling for all their private affairs. My advice to them has been that I did not dream that the Commission would allow any such inquiries; it certainly is not within the scope of the Commission. If you will read what I have got down there I do not think as you come to your concrete cases there will be any trouble. I should



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be most distressed if I thought it was possible for either Mr. Shepley or the Commission to attempt to go beyond that in regard to a person's private affairs. Hon. Mr. Foster is not going to bring his cheque books and bank books and everything of that kind and hand them over to Mr. Cross, Mr. Dawson or whomever you may please, or to Mr. Shepley or anybody else, or to myself; I have no business to go prying all through his bank books and private cheque books.

MR. SHEPLEY: Has Mr. Cross asked for those?

MR. NESBITT: They have been asked for under the subpoena.

MR. SHEPLEY: Show me the subpoena?

MR. NESBITT: Here it is: "Including all books of account, cheques, cheque books, bank books, correspondence and other documents in any way showing all receipts or payments made in connection with such sales or purchases, whether as purchase money, commission or payment for services or otherwise, or showing the disposition made of such moneys." That is with a lot of companies which you have no more to do with than you have to do with me.

MR. SHEPLEY: My learned friend was talking about private cheque books.

MR. NESBITT: That is private.

MR. DuVERNET: If my learned friend mentions any information he has not got that he wants I will try and meet it.

MR. SHEPLEY: I am not able to answer my learned friend categorically. Mr. Cross says he was not so successful after you went away in getting information as he was while you were here, and I don't suppose Mr. Cross could say what it is he wants; he wants to see if there is anything he wants.

MR. NESBITT: We do not want fish made of one and flesh of another.

MR. SHEPLEY: My learned friend has not seen fish made of one and flesh of another.

MR. NESBITT: Not so far.

JUDGE MacTAVISH: I think you will find there will be no trouble, but when we meet it we will have to deal with it.

MR. SHEPLEY: I sincerely hope not. Just to see where we are, I will ask Mr. Cross to continue his inquiries, and I trust there will not be

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any difficulty, and Mr. Cross may be trusted not to abuse the authority, and if a question arises my learned friend and myself can confer about it.

Then it would save time, as the investigation into the Home Life is not yet finished, if I would suggest to Your Honors that we will take up the Foresters in the morning.

JUDGE MacTAVISH: Very well, it will be taken up at 10.30 to-morrow morning.

# HOME LIFE ASSOCIATION OF CANADA, resumed.

A. J. PATTISON, recalled. Examined by

MR. TILLEY: Q.—Have you that statement of Grand Valley bonds of the Homestead? A.—Mr. Walker will have that here in a minute or two.

Q.—You made advances on these Grand Valley bonds in 1894, amounting to over \$51,000? A.—I will have to look at the ledger to confirm the figures. We made advances on the Grand Valley bonds.

Q.—Approximately you would know that was right? A.—I could not approximate it.

Q.—And there was repaid to you \$7,000, leaving \$44,712.16. Then on the 31st December, 1904, there was \$18,000 paid. What was the balance due on the 31st December, 1904? A.—The balance brought down here to 1905 was \$37,930; whether this represents the investment in bonds, or whether it is a debit balance I cannot tell you. I should say that was the investment in bonds. I should think that would be the investment in bonds of the company.

Q.—Yes, that is right. Then that would represent the investment in \$30,000 of the bonds that you took under the underwriting agreement, and 13 bonds which you had previously bought? A.—Yes.

Q.—On what terms were the 13 previous bonds purchased? A.—At 85 with 50 per cent. of stock.

Q.—Was any stock given to you or to any other person in connection with those bonds? A.—No, none to me, or to any person else to my knowledge.

Q.—50 per cent. was all the stock issued to any person in respect to that? A.—That is all.

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Q.—Where did you keep the account of the stock issued? Did you enter it up in the ledger any place? A.—I could not say as to that. The stock and bonds were handed to the accountant, and I presume they are in the ledger. He would be able to testify as to that.

Q.—You do not know how the account was kept? A.—No.

Q.—On the 31st December, 1904, \$82,000 odd was repaid to the Home Life? A.—Yes.

Q.—Do you know who repaid that? A.—Yes, that was paid through the Canadian Homestead Company from whom the contractor had secured a loan.

Q.—The Von Echa Company had procured a loan from the Canadian Homestead Company, and as part of that loan this money was paid to you? A.—Yes.

Q.—Was that money returned to the Homestead Company at any time by the Home Life? A.—Not to my knowledge.

Q.—The transaction then was between the Von Echa and the Homestead as to that loan entirely? A.—Purely so.

Q.—When did you get the bonds to represent the balance of the moneys owing by the Grand Valley Company? A.—I tried to get the date this morning for that but I could not find the book. I think you will find it in the ledger here. The date the bonds were delivered was the date they were received from the Trust Company.

Q.—Prior to receiving the bonds from the Trust Company what security had you for the advances? A.—We held \$28,500 of bonds, \$425,000 of stock, and an order on the trustees for \$160,000 of bonds, making in all \$188,000 bonds, and \$425,000 stock.

Q.—How did you have the order for the \$160,000 of bonds? A.—From the Construction Company on the trustee.

Q.—That was as security for the loan? A.—Yes, as security for the advances that had been made.

Q.—Had you any bonds of the Grand Valley except the \$10,000 that you spoke of this morning? A.—Of my own?

Q.—Yes? A.—No.

Q.—And that is all you were interested in it at that time? A.—That is all the interest I had in it at that time.

Q.—And since? A.—Well, I became interested when our syndicate bought the three railways, the Brant-

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ford Street Railway, the Woodstock and Thames Valley Railway Company, and the Grand Valley Railway Company.

Q.—Was the Home Life a party to that syndicate? A.—No.

Q.—Nor the Directors of the Home Life, other than yourself and Mr. Firstbrook? A.—We were not Directors of the Home Life at the time that was put through.

Q.—Then besides the transactions with the Home Life there were similar transactions with the Homestead Company on the Grand Valley bonds, that is loans and purchases by the Homestead Company? A.—Yes.

Q.—Partly under the joint underwriting agreement that the Homestead and Home Life entered into, and partly independent transactions? A.—Yes. The only bonds the Canadian Homestead bought were under the underwriting agreement. They had not taken bonds previous to that but they had made loans on those bonds.

Q.—Do you remember what securities you sold in order to realize money to lend to the Von Echa Company? A.—I do not think we ever sold any securities to make other loans.

Q.—Did you not sell Dominion Bank stock? A.—Not for that purpose.

Q.—Why did you sell it? A.—Because I thought it was a good time to sell.

Q.—Just as a matter of price? A.—Simply as a matter of price.

Q.—Did you ever get any consideration from Dr. Ickies for financing the road and making these loans? A.—Not a dollar.

Q.—No percentage on the amount advanced? A.—Not a cent.

Q.—Did you ever get any commission on other investments made by the Home Life? A.—Never any of any kind.

Q.—No private remuneration at all? A.—Neither from the Home Life nor the Homestead.

Q.—Then you were going to tell me the transaction, so far as it affects yourself and the Directors of the Home Life as to the Homestead sale to the Standard. What have you found out about that since looking into it? A.—I have got the particulars of the amount received and the amounts paid.

Q.—What was the amount received? A.—The commission have held that I should give that evidence, have they?

Q.—Yes? A.—I have no objection personally, but there was an objection

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on the part of someone else, and I got the information as soon as I could get it. It was \$10,000.

Q.—That was over and above the price of the stock that you transferred? A.—Yes.

Q.—Was that a transaction arranged by you personally? A.—It was arranged by another party.

Q.—A Home Life Director? A.—The proposition was brought to me by a Home Life Director.

Q.—What Home Life Director? A.—Mr. Curry.

Q.—What was the proposition that was brought to you? A.—To sell our stock in the company with a view to amalgamation between the Standard and the Canadian Homestead.

Q.—On what terms were you to sell? A.—On the terms stated.

Q.—Were you to be paid for your stock besides the \$10,000? A.—Yes.

Q.—Then was that proposition submitted to you by Mr. Curry in full as to the amount that was to be paid and the price of the stock, and so on? A.—Yes, it was brought to my notice, and then to the notice of the Directors.

Q.—\$10,000 then was paid. To whom was it paid? You? A.—Yes.

Q.—And did you divide that with the Home Life Directors, any of them? A.—I divided it with the Directors of the Canadian Homestead.

Q.—Tell me what you received and what any Directors of the Home Life received out of it?

MR. McLAUGHLIN: I do not think this ought to be connected by the counsel with the Home Life any further than the evidence justifies. As representing the Home Life I do not think this matter should be connected with them. I am not representing Mr. Pattison nor the Directors of the Home Life in any way, but there is no right to connect the Canadian Homestead with the Home Life in every word counsel says. I appeal to the Chairman's sense of fairness.

MR. TILLEY: Q.—In that transaction I think I understood you to say there were no contracts between yourself and the company or Mr. Firstbrook and the company; is that right? A.—Yes, that is correct.

Q.—I want to know what share of that bonus you got in a case where you had no contracts at all? A.—\$8,900.

Q.—What did Mr. Firstbrook get? A.—\$600.

Q.—What did any other Home Life Director get? A.—Mr. Curry \$200, and Mr. John S. King \$100.

Home Life. (A. J. Pattison, Ex'd.)

Q.—What was the consideration that moved from you that \$8,900 in that case? That was not a commutation of moneys payable to you under that contract? A.—No, I suppose not.

Q.—What was the consideration there? A.—I think the consideration was the sale of the stock of the company with a view to its being consolidated with another company, and giving up the position which I had held for 20 or 21 years.

Q.—Then that was for surrendering a position mainly?

JUDGE MacTAVISH: Selling the stock and surrendering the position, and what else? A.—And with a view to the consolidation of the companies.

MR. TILLEY: Q.—How did you arrange on a division? Did the other Directors know what you were receiving—that you were getting \$8,900? A.—Mr. Curry knew. I do not know whether the other gentlemen knew or not. I do not think they did. I do not think they asked me. They recognized that I had been working for a great many years and recognized that I had been paid only a trifling amount.

Q.—Did they know how much money you received in that case? A.—I do not think so. I do not think they asked.

Q.—Mr. Curry was the only one who knew that? A.—Mr. Curry knew. He may have mentioned it to the others.

Q.—Was that not just the same transaction as the Home Life transaction, except that you had not the agreement in that case. In order to say that it was a commutation of the amounts payable under the agreement, was it not just the price you would ask for surrendering your position? A.—I do not think it was a parallel case. I got some money for my shares and for giving up the position, but it does not seem to me it was a parallel case.

Q.—How many shares had you, do you remember? A.—I told you this morning, I think it was about 45 shares. I am not sure about that.

Q.—And how many shares had Mr. Firstbrook? A.—He did tell you, but I have forgotten. I think he told you he had \$2,000 did he not?

Q.—That would be 20 shares? A.—I think that is correct. I am not sure about that.

Q.—So that the amount that was divided in that case was not divided in proportion to your shareholding?



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A.—Oh, not at all. I would like the Commission to note that 5 or 6 of the principal banks had loaned moneys on those bonds in excess of the amounts advanced by our company, but I do not wish that to be published.

Q.—The result of the amalgamation of the People's and the Home Life seemed to increase the amount of the impairment at the end of 1905 did it not? A.—Yes.

Q.—How do you account for that? A.—I could not account for that without an investigation of the account. I was not aware of the fact until I saw the statement in your hands yesterday.

Q.—It increased the amount of the impairment by how much do you know? A.—I do not recall the figures.

Q.—What was the impairment of 1905? A.—It was just a trifling amount, a few hundred dollars.

Q.—Are you speaking now of capital stock and debenture stock both, that it was only a trifling amount? A.—My recollection of the impairment of the Home Life—that is impairment of capital—was that it was a few hundred dollars in 1904.

Q.—Was that taken into account, the debentures? A.—We had no debentures.

Q.—The guarantee fund that had been paid in? A.—Yes, the guarantee fund was part of the capital. It is all one.

Q.—Treated as part of the capital? A.—Yes.

Q.—Mr. Edwards reports that the amount of the impairment in 1905 was \$100,151.63? A.—I do not know where he would get those figures from. They are not according to the Government returns. You had another statement here from us. If you will let me see that, it will show.

Q.—At any rate the impairment was increased by about \$60,000, was it not, in 1905? A.—I think it would be. They had over two millions of insurance, did they not?

Q.—Yes. A.—Two millions and a half I think.

Q.—It is said the amount of insurance to be transferred under the agreement to the Home Life by the document itself was some \$2,600,000? A.—I never saw that document. By the resolution we were to purchase the current business. Of course the transaction was carried through after we ceased to be officers.

Q.—The transaction was carried through after you ceased to be officers, but were not the terms settled by you?

A.—The terms were settled between Mr. Warren and myself after—

Q.—What was the amount of insurance you were to receive under that arrangement? A.—That was to be ascertained by an examination of the policyholders' account.

Q.—That was not fixed by you at a certain amount? A.—The minutes show exactly what the transaction was.

Q.—They were to go through and make up the current policies, but the agreement that was actually signed provided it should be deemed to be a certain amount, even though it might be less than that? A.—Yes. Of course I did not see that.

Q.—You did not in any way look after the company in the settling of the terms of the actual agreement that was put through? A.—Well, I was not there to do that.

Q.—You had stepped out? A.—Yes.

Q.—Then it said the actual insurance received was only about \$1,700,000, but that that is to some extent a gain for the company, because it got the reserve on policies that were not in force. Do you regard that as so? A.—I should think that would be an actuarial question. If I had been carrying the transaction through I would want to have it determined by an examination of each policy account.

Q.—Would you have agreed to fixing an amount which was not to be subject to be decreased if policies were found to be lapsed? (No answer.)

Q.—You see the amount of the premiums payable was a fixed sum, was it not, under the agreement? A.—I have never seen the agreement. I believe that was the statement which was made.

Q.—The fifth paragraph provides that the People's shall be entitled to deduct from the amount payable to the reinsuring company in respect of each such policy a sum by way of initial commission equal to 50 per cent. of annual premium payable the People's under the said policy, provided that such initial commission shall not be 50 per cent. of \$97,000, the last mentioned sum being the amount admitted by the parties hereto as the total annual premium income of the company. Did you agree on \$97,000 being the annual premium income of the People's? A.—No, I had nothing to do with that.

Q.—Who had to do with that? Because that amount was actually set-

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tled before you made the actual transfer of shares? A.—Not to my knowledge.

Q.—It was all arranged before? A.—I never heard that sum until it was mentioned here.

Q.—Did you not see that the Home Life was being protected in the agreement that it entered into with the People's? A.—So far as could be done during the time I was in office. The resolution speaks for itself. It is a reasonable proposition. It is on the minutes.

MR. McLAUGHLIN: Is there any contention that this reinsurance agreement was an unfair one? The evidence of Mr. Blackadar's report in the Blue Book shows it was costing the Home Life 192 to get business for some time before, and they had an opportunity of getting two and a half million at 100 and got it. I do not think it should be necessary to say anything that would create the impression that there was anything unfair, unless the agreement was unfair.

MR. TILLEY: Q.—In the resolution that was passed by your Board there is nothing that fixes the amount of insurance so that the Home Life is bound as to amount? A.—Not to my recollection. You have the resolution. It goes on to say that the Home Life Association shall pay 100 per cent. for one annual premium on each policy of insurance actually in force on August 31st, 1905, but there was nothing in the resolution to fix the amount so that you had to pay for more than the insurance that you got? A.—No.

Q.—The amount at which the Home Life took over the People's was \$2,600,000 of insurance? A.—Yes.

Q.—At the end of the year it was found to be \$1,700,000. Do you say that that was fair or unfair to the Home Life, to fix the premium payable for the business on the basis of \$2,600,000 when the actual business in force was only \$1,700,000? A.—I do not think I am in possession of knowledge that would permit me to say whether that was or was not a fair transaction. If the business which was written off the books had been carried for a sufficient length of time to have a reserve equal to one annual premium it would be perfectly fair; if it had more than one annual premium it would be in favor of the Home Life. I think it is fair to assume that these gentlemen knew how long that business had been in force. You ask me if I would make

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such an agreement; I would say not unless I had had intimate knowledge of the exact condition of the business when I might have made that agreement.

Q.—That is a matter that should have been scrutinized and each policy examined; is that right? A.—Well, if they had the knowledge which they must have had, they acted on that knowledge.

Q.—If they said they had no knowledge of that deficiency of premium income at all, that they had not been long enough connected with the business to acquire that information. In the absence of that information you think the agreement should not have been entered into? A.—I will not say that. I would have looked into the business myself.

Q.—You would have gone over the policies yourself? A.—I would have gone over the policies.

Q.—Before you would let the Home Life take them? A.—But I am speaking now without knowledge of the business. If I had knowledge of the business I might be willing the company should assume the thing.

Q.—I am telling you the People's officers say they had no knowledge of it. (No answer.)

Q.—Then your company bought the building which is now called the Home Life building, did you not? A.—Yes.

Q.—Does that building stand on leasehold or freehold property? A.—Largely freehold. There is one small piece of land that is leasehold.

Q.—Part of the land is freehold, the major portion you say being freehold? A.—That is my recollection about it.

Q.—Was it mortgaged when you bought it? A.—No, no.

Q.—It was free of mortgage? A.—Free of mortgage.

Q.—At what price did you buy it? A.—The price named in the agreement was \$175,000, but the terms upon which the payments were to be made, commuted on the basis of four or five per cent. reduced that sum very materially.

Q.—To what did it reduce it? A.—I think, speaking from memory about \$146,000.

Q.—How long a term were the payments spread over? A.—If you will allow me to refer to the minutes I will give you the exact details. It was 15 years I think, either 15 or 20 years with the option to the company of paying sooner.

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Q.—January, 1903, is the date? A.—Is that the date we bought it?

MR. WALKER: No, that is the transfer to the ledger.

Q.—The transaction appears entered in your books for the first time on December 31st, 1901, and at the head of the account which is at page 516 in the old ledger there is a reference to a mortgage to the Canada Permanent and Western Canada Mortgage Corporation for \$150,000. Is that what you mean by the purchase money? A.—The terms for the mortgage provide the rate of interest at 2 per cent. for five years and 2½ per cent. I think it is for another five years.

Q.—And 3 per cent. for the third five years? A.—Yes.

Q.—And 4 thereafter? A.—4 thereafter.

Q.—And \$10,000 was payable on December 1st, 1906, \$5,000 on December 1st, 1907, and \$5,000 in each of the following years, 1908-9-10-11-12-13-14-15 and 16, the balance of \$90,000 on 1st December, 1906, with the privilege of paying the whole or part any time without notice or bonus. So that the mortgage was given for the whole of the purchase money, was it? A.—No, \$25,000 or \$26,000 less.

Q.—\$2,613.30 was paid on account at the time? A.—Yes.

Q.—And the mortgage for the balance? A.—Yes.

Q.—Then that transaction was closed on December 31st, 1901? A.—I presume so.

Q.—That is what the ledger shows? A.—Yes.

Q.—And the same day you bought it you wrote it up did you not? A.—I think there was an increased valuation put on the property.

Q.—You wrote it up? A.—I think so.

Q.—By \$73,969.87? A.—I cannot say.

Q.—That is correct Mr. Walker says.

MR. WALKER: Yes.

WITNESS: Well I do not think it is correct.

Q.—Well, let us have it correct? A.—That would put the building at \$250,000.

Q.—That would be the equity you had in the building at \$100,000, and a mortgage \$150,000, making \$250,000? A.—Was it carried at \$250,000?

MR. WALKER: Yes.

WITNESS: Did we deduct the \$26,000 we paid on it?

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MR. WALKER: That is taken into account; that is correct.

MR. TILLEY: Q.—So that on the date you bought the building you represented yourself to have an asset of \$73,000 in the building more than you paid for it? A.—My recollection is that that was \$50,000, but you have the figures there.

Q.—Yes, the book is here. On January 1st you carried forward the balance of \$100,000, representing what you treated as your equity in the property? A.—Yes.

Q.—Without showing the mortgage incumbrance on it? A.—I do not know whether that was shown or not.

Q.—Did that mortgage incumbrance remain on the property at the time you amalgamated? A.—Yes.

Q.—Had you put any other mortgage on it? A.—No.

Q.—Then that is transferred to the other book?

MR. WALKER: It is transferred here.

Q.—On January 1st, 1903, you still carried it at \$100,000?

MR. WALKER: Yes.

Q.—Then on December 31st, 1904, you added to the value of the Home Life Building reserve \$85,000, making \$185,000, and that was when the Department objected to the amount of the increase, was it not? A.—Well I do not know that the Department objected to it. We had a valuation by four of the best valuers of the city of Toronto, and the maximum value was not taken.

Q.—They took off \$60,000? A.—No account was taken of the fact that while the mortgage was apparently for \$150,000, that its real value was \$25,000 or \$30,000 less than that.

Q.—As a matter of fact you wrote off on December 27th, 1905, very near the end of that year, \$60,000? A.—Well, I did not do that.

Q.—The company did? A.—Mr. Stratton may have done so. I would not have done so.

Q.—Leaving the value of the building at \$125,000 on the books? A.—Yes.

Q.—So that in your ledger you wrote the building up by \$158,967? A.—We took the valuations, if you like to call it writing up, we took the valuations because conditions had changed greatly in Toronto. For instance I was offered \$50,000 the day after the deed was signed for the property—\$50,000 in excess of what I had paid for it.



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Q.—But you had written it up \$73,000 the day you bought it? A.—Yes, we bought it at the right time.

Q.—What rate of interest did the company receive on the building in your time after paying the expenses? A.—When we took the building we found it necessary to make very considerable repairs. No painting or extra work had been done for several years by the former owners, and I think for the first couple of years the returns were small. We did not do as I understand all of the Life Insurance Companies have done—that is to take into account the value of the building by charging themselves with a rent proportionate to the value of the building that they occupy. I understand some companies do that.

Q.—Yes, they charge themselves in that way? A.—Yes, we took one of the most modest offices in the building, and charged ourselves with the rent that we would get—less than the rent that we would get from the tenant for that office afterwards.

Q.—What rate did you give? A.—I cannot tell you. Mr. Walker would have to compute that.

MR. WALKER: In 1902 there were some capital expenditures on account of the building, which made an excess of expenditure over the income of \$3,539. We capitalized those items as permanent repairs in some cases.

WITNESS: And there were valuations, solicitors' fees and so on.

MR. TILLEY: Then take 1903?

MR. WALKER: In 1903 the net income was \$3,270.

WITNESS: What was it in 1904?

MR. WALKER: In 1904 it was \$1,190.46.

WITNESS: And we have 1905 now.

MR. WALKER: In 1905 it was \$2,227.97.

WITNESS: It is fair to say Mr. Tilley that the Department did not regard, as I think everyone else would regard, the capital charges as such, and insisted upon their being written off. For instance I have no doubt the expenditure made in regard to elevator improvements, which to my knowledge cost \$2,500 or \$3,000, and which should extend over ten years, was all written off in one year.

Q.—Then you took over the insurance of the Covenant Mutual did you not? A.—We took over a part of the Covenant Mutual insurance.

Q.—What do you mean by a part? A.—Well, such part as was acceptable to the company under the terms

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of the transfer; not all of it; part of it went to other companies.

Q.—Who attended to getting the policyholders to rewrite in your company? A.—The manager of the Covenant Mutual.

Q.—That is Mr. Hoover? A.—Yes.

Q.—In what way did you re-insure them? What was the plan? A.—They had been insured under assessment contracts, and we took them on the level premium. They had been insured under assessment contracts and we took them on the level premium  $3\frac{1}{4}$  standard basis.

Q.—Did you write the parties at the age of entering into the Covenant Mutual or at the age of entry into your company? A.—At the age of entry into the Covenant Mutual, taking the reserve as a lien against the policy.

Q.—Making each applicant give some lien or charge on his policy for the amount of the reserve that should be against it? A.—To the extent of the reserve that the Covenant Mutual should have had and did not have.

JUDGE MAC TAVISH: The Commission will now adjourn till ten o'clock to-morrow, in order to finish the investigation of the affairs of the Home Life before commencing the inquiry into the Foresters, which has been fixed for 10.30 to-morrow.

#### SIXTY-SIXTH DAY.

Toronto, Thursday, Sept. 13th, 1906.

THE HOME LIFE ASSOCIATION OF CANADA, continued.

The examination of APPLETON J. PATTISON resumed:

MR. TILLEY: Q.—You were asking me regarding some questions that I asked you yesterday as to repaying any of the money paid to the directors, was there anything you wanted to say about that? A.—I was not clear when you asked the question yesterday whether it was stated as appeared in the morning paper, that the question was moneys received from the Home Life: I answered that I had not been consulted with regard to any such re-payment, but I did not understand you to ask whether I had been consulted as to whether I had received any of this money from the Home Life which I would re-pay.

Q.—Would your answer have been any different as to that? A.—If I had understood that the Home Life was mentioned I would have said

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that I had not received any money from the Home Life, but that if I had received any money from the Home Life improperly I would be glad to return it.

Q.—That does not put you any nearer paying any money back, does it? A.—It makes the question clear I think, the answer; if the question was had I been consulted as to whether I would return money to the Home Life or not, I did not understand that, I would have said then I had not received any.

Q.—I was not asking whether you had received or whether you would pay, but I was asking whether there was any discussion, and there was no discussion? A.—No.

Q.—You do not mean to intimate that any part of that \$80,000, now that you find it came out of the Home Life Association you are willing to return to the Home Life? A.—I do not know it has come out; I understand they propose to take the money from the Home Life, but I do not understand it has been taken, in fact I am sure from the books it has not been taken.

Q.—Now that you know the company is obligated to pay it do you propose to return any part of the \$80,000? A.—I can only re-affirm what I said before, that if it is shown that I have received—

Q.—To your satisfaction? A.—To the satisfaction of my solicitor Mr. Osler or Mr. Alfred Hoskin or any other reasonable party that I have received any money improperly either from the Home Life or any other company I am ready to return it.

Q.—In order that the statement may be put in a complete shape I will put in as an exhibit the memorandum that was handed to me by the witness, showing the payments made to the other directors. (Statement filed as Exhibit 437.) The first column shows the payments that came out of the \$80,000, does it not? A.—That is correct.

Q.—The second column shows payments for stock—I mean to say shows the amount that was paid to you by People's Life for the stock? A.—Yes.

Q.—You would get these amounts from the People's Life for the stock? A.—I think in my own evidence I tried to make it clear to you that I would not have sold my stock for \$25—I do not want to have any misapprehension with regard to that. I did not agree to sell my stock for \$25 a share.

Q.—So that while there seems to be two parts to the transaction it was all made as one transaction? A.—Yes.

Q.—I think we quite understand that, and I am not endeavoring in any way to cross-examine you on that, but I am trying to understand this statement. The second column shows the price of stock on a basis of \$25 at any rate? A.—That is right.

Q.—And that amount was paid to you by the People's Life? A.—Yes.

Q.—And the first column shows what came out of the \$80,000? A.—Yes.

Q.—And Mr. Firstbrook is here \$11,150, but that should be \$11,500? A.—If you will allow me I will correct that.

Q.—The total would be? A.—\$16,675.

Q.—So that the amount that remained with you after the \$80,000 was \$63,325? A.—Yes, I think that is correct.

Q.—Then there is a small item here \$120. Just state what that is so that we will have an explanation of the item? A.—I think the figures given in evidence as to the amount paid was \$120 less than actually was paid for the stock, and I made the statement correct.

Q.—That is you saved as it were \$120 on the stock transaction? A.—No, I don't mean that, I mean to say they paid for \$120 more stock than was stated by whoever gave the evidence with regard to the purchase of shares, that is all.

Q.—Whose stock was that, was it yours? A.—I cannot tell you now from memory, this was the correct amount, that is all.

Q.—That simply means you transferred to them a few shares over the 1,164? A.—It appears so there.

Q.—Then you were going to give me a computation to show how you arrived at the \$80,000, have you reproduced that? A.—I don't know that I have reproduced it. I have made a rough summary of the approximate receipts based on smaller increase in the revenues yearly than had been realized for the past four years, and I have these figures as the commutation value of the sums. (Produces a paper).

Q.—The way you compute it then is that in the year in which the transaction took place, or the first year after the contract was entered into you would receive \$6,500? A.—Yes.

Q.—There would be that payable to you during the year in monthly

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payments, or how did you receive it? A.—This increase of premium is not based on any expectation of the amalgamation of any company.

Q.—You take the Home Life as it was continuing? A.—Yes.

Q.—In order to make that \$6,500 can you say what premium income you were basing it on? A.—\$150,000.

Q.—Then you take for the next year \$7,400, and you discount that for one year at 4 per cent., producing \$7,115? A.—Yes.

Q.—Then you take the second year \$8,400, discounted for two years \$7,766? A.—Yes.

Q.—\$9,200 for the third year, \$8,178; \$10,100 for the fourth year, \$8,633; \$11,000 for the fifth year, \$9,041; \$12,000 for the sixth year, \$9,484; \$13,000 for the seventh year, \$9,878; \$14,000 for the eighth year, \$10,230; \$15,000 for the ninth year, \$10,539, making in all \$87,360, which you say will be the present value? A.—Based on a smaller increase than had been realized. That is my own contract; that does not include Mr. Firstbrook's contract.

Q.—Have not you two years too many here, the \$6,500 would be for the year 1906, would it? A.—1905 and 1906.

Q.—You would have two years too many on that? A.—I see here I have 1905 as a whole year.

Q.—You cannot charge up the whole year? A.—No, that is an error. That was made up while the Commission was in session.

Q.—Then you have still too many years? A.—There are ten years.

Q.—No, your contract was 1898, it had run seven years, it had eight years to run? A.—Yes; very well, we will make that right.

Q.—So that you will have to take off the last two? A.—That will make \$66,591.

MR. McLAUGHLIN: We should have Mr. Firstbrook's.

WITNESS: Mr. Firstbrook was three as to five, and he estimated the value of his at \$25,000.

MR. TILLEY: So that taking off the last two years, \$10,230 and \$10,539, leaves the present value of your contract at \$66,591? A.—Yes.

Q.—And Mr. Firstbrook thought his contract as compared with you was in the ratio of three to five? A.—I could not say that; he said he estimated roughly \$25,000.

Q.—He did not share in the \$80,000 in the proportion of three to five? A.—No, he did not; he had other business to attend to, and I was—

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Q.—And you were given back the whole of your time for the next eight years? A.—I was giving up my work that I had undertaken.

Q.—Did you discuss with any of the directors the advisability of resigning by reason of your health? A.—I was not well at that time, and I never discussed the question of resigning at all.

Q.—Did not some of the directors say to you that they thought, "Well, now, you are not in very good health, and probably it would be well to make some arrangement like this?" A.—Never was suggested at all.

Q.—Did you say your health was not very good at the time? A.—It was not very good at the time.

Q.—And that was an object to you in resigning I suppose? A.—No, I could not say that. I have not taken any vacation for three or four years; I had been working so hard to try and build up our company and perhaps had overdone it.

Q.—You were speaking yesterday about the way that the building was valued by the Company and you remarked on the \$60,000 that was written off in 1905 by the new management, did you not? A.—I think so.

Q.—You said that you would not have written off that amount if you had been Manager? A.—Yes.

Q.—That same amount had been written off the previous year by the Insurance Department, had it not? A.—I could not say as to that.

Q.—The return that you sent in had the building at \$185,000; that is the Company's equity in the building? A.—Yes. I cannot say that.

Q.—Well, the Blue Book shows it at \$125,000, so that \$60,000 must have been written off by the Department? A.—Yes.

Q.—You entered that transaction on the books as December 31st, 1901. Was the transaction completed on December 31st, or was it completed in January the following year? A.—The accountant says it was all completed before the close of the year. My recollection is that it was some time before the close of the year.

Q.—The transaction is entered exactly on the last day of the year, and on the same day the building was written up some \$73,000, but you say that the transaction was completed fully at that time. A.—Yes, I am sure it was.

MR. TILLEY: If Mr. Walker has anything to say he may state it.



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MR. WALKER: The fact that it is put in December 31st is explained by the fact that the company had no account at that time, and those were Mr. Pattison's own handwriting, and I believe as a last resort he closed the books up himself.

MR. TILLEY: But it was closed before December 31st.

MR. WALKER: I understand so.

MR. TILLEY: Then I will put in the contract with Mr. Hoover and the Home Life dated 2nd February, 1900. It was under that contract, was it, that you took over the business of the Covenant Mutual? A.—Yes, what was taken over.

Q.—Did any person other than Mr. Hoover attend to getting the old policyholders to rewrite in your company? A.—He had a number of agents I believe.

Q.—All working under him? A.—I believe so.

Q.—Did you have anything to do with that personally? A.—No.

Q.—Did you get any commission with respect to it? A.—No.

Q.—No money paid to you through Mr. Hoover? A.—Certainly not.

Q.—The whole arrangement was with Mr. Hoover, and he was to get the policies rewritten? A.—Yes. (Contract Exhibit 438.)

Q.—And then you put a lien on the policies for the reserve, as you stated yesterday. Is this the form of certificate for the lien? A.—Yes, that is it.

MR. TILLEY: Have you the account, showing the amounts paid to Mr. Hoover, Mr. Walker?

MR. WALKER: We have not that letter here, but I have a memorandum.

Q.—Just give the amounts that were paid.

MR. WALKER: The amounts that were paid for transferring the business were \$1,744.57.

Q.—Was that money paid to Mr. Hoover?

MR. WALKER: Paid to Mr. Hoover.

Q.—Was that paid in one sum?

MR. WALKER: It was put to his credit in two amounts. I do not know just how the cheques were made out, I think in one sum.

Q.—How was that estimated?

MR. WALKER: On policies transferred by himself. He had a credit of \$3 per 1,000, and on policies transferred by the Home Life \$1 per 1,000.

Q.—That is where the Home Life agents procured the new business?

MR. WALKER: Yes.

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Q.—The \$2 being taken off for the expenses of the Home Life agents?

MR. WALKER: Yes. Then Mr. Hoover got a commission of 7½ per cent. on the cash premiums collected on that business.

Q.—Is he still receiving that commission?

MR. WALKER: Well, he has not received any for the last year.

Q.—Why? Nothing due?

MR. WALKER: We simply had not sent him the cheque; that is all.

Q.—Is he still entitled to it?

MR. WALKER: Yes, as far as I know.

Q.—What was the date of the first payments you spoke of there on transferring the business?

MR. WALKER: That would be about 1900.

Q.—What payments has he received since? A.—On the 1st year premiums he got a commission of \$1,977.03, on the second year, \$1,791.81, third year, \$1,571.64, fourth year, \$1,601.80, fifth year, \$1,439.62, sixth year, \$1,118.20.

Q.—The total being what?

MR. WALKER: \$9,600.10; that is without the original payment.

Q.—And how much business was transferred for that?

MR. WALKER: \$994,625.

Q.—And you have given all the payments that were made with respect to that business?

MR. WALKER: Yes.

Q.—Then, Mr. Pattison, I will ask you; Mr. Hoover gets the continuous commission at 7½ per cent. as this contract showed? A.—He should get it, I think.

MR. TILLEY: I have attached the form of lien to Mr. Hoover's contract, which is Exhibit 438. Then I will put in the form of loan agreement that your company used; that is it, is it not? A.—Yes. (Exhibit 439.)

Q.—I suppose that this form is taken from forms used by other companies and adapted to your own requirements? A.—I presume so; it probably was by the solicitor. It was not prepared by me.

MR. TILLEY: Probably I should attach to the contract with Mr. Hoover the contract between the Home Life and the North West Life Assurance Company.

Q.—That is dated 22nd January, 1900? A.—Yes.

Q.—Under the form of policy that your company used an application for a paid up policy has to be made within six months or the right to a paid

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up policy was lost? A.—You have the terms there.

Q.—That is the fact, I think.

MR. McLAUGHLIN: You can put in the policy with a copy of the application attached to it.

MR. TILLEY: That appeared to be so from the policy? A.—That appeared to be so from the policy.

(Form of policy Exhibit 440).

Q.—Did you ever refuse to give a cash surrender value or the paid up policy because of non-application within the specified time? A.—No.

Q.—You never took that position with any policyholder? A.—Never.

Q.—Did your company refuse to allow policyholders in the old Covenant Mutual who took out new policies with you with a lien on them, to pay off the lien? A.—No.

Q.—No refusal of that kind ever made? A.—Never.

MR. KENT: You remember I said I was going to ask you a few questions as to the duties of directors. Would you be good enough to give the Commission your views as to the duties of a director who is neither President, Vice-President or Treasurer? A.—My conception of the duty of a director of a life insurance company would be the same as the duty of a director in any corporation. They would be to do at all times the best that he could according to his judgment in the interest of the company he was director of.

Q.—When the personal interest of the director clashes with the interest of the policyholders, which side do you consider it is the duty to take? A.—I should take the interest of the policyholders and shareholders into account myself. I do not see that there could be a conflict, or should be a conflict with the policyholders and shareholders' interests.

Q.—Do you consider where a director sits at a meeting and allows an important matter to be acted upon without ever reading the document or having it read by the secretary at the meeting, and the transaction goes through at the meeting without any director except the one being aware of the contents—would you think those directors did their duty to the policyholders? A.—Well, I would think not, nor yet to the shareholders.

JAMES R. STRATTON, Recalled.  
Examined by MR. TILLEY:

Q.—I asked you for the cheque for \$80,000 with which you said you paid the amount to Mr. Pattison? A.—Yes.

Q.—Did you get it? A.—I think I said last week, when under examination, that I gave my cheque to the Bank and the Bank gave me the money. I subsequently retired the cheque with Mr. McCutcheon's note and the assignment of the agreement and tore up the cheque. It was a mere temporary matter.

Q.—Then you said that the cheque was for \$80,000, and that the assignment— A.—No, I did not say the cheque was for \$80,000. I said the amount paid Mr. Pattison was \$80,000.

Q.—What you said is shown in the printed evidence at page 2070? A.—I have not seen it.

Q.—The examination reads as follows:—"Q.—Have you the cheque for the \$80,000 here to-day, Mr. Kirby; Mr. McCutcheon promised it yesterday, I think? A.—I can explain that transaction better, perhaps, myself. I gave my cheque for the \$80,000, my personal cheque to the Bank."

That was in your evidence, but Mr. Kirby was standing beside you. A.—Yes, that is all right.

Q.—And then the examination proceeds:—"Q.—To what Bank, Mr. Stratton? A.—The Traders' Bank. I subsequently arranged for the discount of the \$80,000 with the agreement of the Home Life at the back of Mr. McCutcheon's note. That is the whole transaction."

A.—That was a slip. It was \$90,000.

Q.—Now, was the transaction with the Bank an \$80,000 transaction? A.—Perhaps I had better explain the whole matter to you. It was arranged by the solicitor that the amount to be paid for the—what will I call it—the commutation of the contracts, was \$90,000, and all the papers and documents were drawn in connection with the matter for the \$90,000. When I came to adjust the matters with Mr. Pattison I was able to arrange with him for the payment of \$80,000. Mr. Pattison accepted the \$80,000 as a settlement of the amount. The documents were all drawn and all had been completed previously by the solicitors, and I gave to Mr. Pattison the \$80,000 in cash, the amount that he received, as I stated to the Commission.

Q.—So that Mr. Pattison did not get a cheque for \$80,000? A.—He got \$80,000 in cash.

Q.—Then he could not have got a cheque. A.—I gave a cheque for the money.

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MR McLAUGHLIN: He did not say he gave Mr. Pattison a cheque.

MR. TILLEY: There was no cheque for \$80,000 issued in connection with this transaction at all? A.—No.

Q.—A cheque was issued by you for \$90,000, and then the cash was brought to your office, was it? A.—The cash was brought to my office. I obtained the cash myself.

Q.—From what Bank? A.—From the Traders' Bank.

Q.—Was the cheque on the Traders' Bank? A.—The cheque was on the Bank of Montreal, Peterboro.

Q.—And you got \$90,000 from the Traders' Bank and then you met Mr. Pattison. A.—I met Mr. Pattison.

Q.—Personally? A.—Yes.

Q.—Was Mr. McCutcheon there? A.—No.

Q.—And up to that time the agreement had been for \$90,000 you say? A.—\$90,000.

Q.—And you handed him, as the result of your talk with him, \$80,000? A.—Yes.

Q.—What did you do with the other? A.—Retained the other \$10,000.

Q.—What did you do with it? A.—I had it personally myself—the \$10,000 to be applied to the matter of the note.

Q.—You have got it yourself yet? A.—Yes.

Q.—Let us follow it along by steps? A.—Yes.

Q.—Then the next thing to do was to arrange the security with the Traders' Bank? A.—Arrange the security with the Traders' Bank.

Q.—That was to be by an assignment by Mr. McCutcheon of his interest under the agreement? A.—That was arranged by Mr. McCutcheon's note and an assignment of the agreement.

Q.—On what date did you pay Mr. Pattison the \$80,00? A.—On the date of the agreement, the afternoon of the agreement, about the 12th October.

Q.—I understood it was the 12th October? A.—Yes.

Q.—Is there anything that shows that? A.—I do not know, it might be the 13th.

MR. McLAUGHLIN: 12th October is the date of the minutes.

MR. TILLEY: Q.—The minutes of the meeting at which the transaction was carried through are dated the 12th October and the meeting was called to order at 4 p. m.? A.—Yes.

Q.—And then the different old directors resigned and new directors were appointed? A.—Yes.

Q.—Was that before or after you had paid the \$80,000? A.—That was afterwards.

Q.—How long before 4 p.m. had you paid the \$80,000? A.—About 3.30.

Q.—And then the meeting was held? A.—Yes.

Q.—The \$80,000 being paid in your own office? A.—No, I think Mr. Pattison came with me to the Bank.

Q.—He went down with you to the Bank when you drew the money? A.—Yes.

Q.—Where was the discussion whether it would be \$80,000 or \$90,000? Where did that take place? A.—With Mr. Pattison.

Q.—Where? A.—In the Bank.

Q.—Was it \$90,000 until you got to the Bank? A.—It was \$90,000 until I gave the money to Mr. Pattison.

Q.—Until you got to the Bank? A.—Until I got to meeting Mr. Pattison myself, personally.

Q.—At the Bank? A.—At the Bank—well, I met him at his office.

Q.—Was it at his office or the Bank? A.—We went together.

Q.—Where was it changed from \$90,000 to \$80,000? A.—It was finally concluded after the \$90,000 had been drawn from the Bank.

Q.—Was it changed from \$90,000 to \$80,000 inside the Bank building or at some other place? A.—Well, it was from the time the \$90,000 was drawn from the Bank until Mr. Pattison was paid.

Q.—Will you tell me the place where it was done? A.—Well, we discussed it going down to the Bank, we discussed it in the Bank, and it was finally arranged with Mr. Pattison, I could not just say the exact moment where.

Q.—You do not know whether it was before you got to the Bank or after? A.—It was after we got to the Bank.

Q.—Did you go out of the Bank before you closed it? A.—No.

Q.—Then it must have been closed in the Bank? A.—Yes.

Q.—And you and Pattison were there together? A.—Yes.

Q.—That transaction had been standing for months before that? A.—It had not been standing for months, no. It had been under discussion for months.



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Q.—The details were arranged for some time prior to that as each witness sworn? A.—Well, Mr. Warren carried on the details of it. I do not think it was finally concluded for months before; I think it was a short time before.

Q.—Was it not for days before? A.—It may have been for days.

Q.—And \$80,000 was settled on days before? A.—No.

Q.—How could the transaction be completed and ready to close if you had not agreed on the amount? A.—

They were satisfied to pay Mr. Pattison the amount of \$90,000, if arrangements could not be made for a lesser amount.

Q.—You say there was a definite arrangement with him for \$90,000? A.—Yes.

Q.—Existing during all the time that he was settling with the other parties? A.—Yes.

Q.—And it was not changed to \$80,000 until you got to the Bank? A.—No.

Q.—You did not draw the money? A.—Yes, I did, draw the money.

Q.—When he was there? A.—Yes.

Q.—Watching you? A.—Yes.

Q.—He saw you get the \$90,000 and he threw off \$10,000? A.—I do not know that he was watching me; he was in the Bank.

Q.—Beside you? A.—He was not beside me. I went to where he was after the money was obtained. He was not beside me.

Q.—Did he see you get the \$90,000? A.—I do not think he did. I am certain he did not.

Q.—So that Mr. Pattison then went with you to the Bank, and you went and drew \$90,000, and you had not then decided to reduce it by \$10,000? A.—No; if he had insisted on the \$90,000 he would have got it.

MR. McLAUGHLIN: If he had seen the money—

MR. TILLEY: I think Mr. Stratton is able to take care of himself.

Q.—That was on the 12th? A.—Yes.

Q.—And the papers with the Bank were not settled until the 13th? A.—I would not say whether it was the following day or the day after.

Q.—It was not on the same day? A.—No. The papers had not been passed by the Board.

Q.—Oh well, the \$90,000 transaction or the \$80,000 was never before the Board? A.—Yes, it was.

Q.—The agreement between Mr. McCutcheon and the Bank was never before the Board? A.—No, not that

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agreement, but the agreement by which Mr. McCutcheon was to be paid under the contract.

MR. McLAUGHLIN: It was said to be attached to that assignment.

MR. TILLEY: Then the document that Mr. McCutcheon signed will be Exhibit 441. It is dated 13th October, 1905, and it is signed in the presence of James J. Warren? A.—Yes.

Q.—That document reads as follows:—(Reads contract.) Does that document that I have read come from the Bank? A.—No, that is a duplicate.

Q.—Then they can file this copy? A.—Yes.

Q.—This is an exact duplicate of the one at the Bank? A.—An exact copy.

Q.—Then to that was attached his contract with the Home Life? A.—Yes.

Q.—Do you say that that document was drawn before the 12th? A.—Yes.

Q.—At \$90,000? A.—Mr. Warren would be better able to tell you when it was drawn. It was drawn at any rate before it was passed.

Q.—Before it was what? A.—It was drawn before it came into my hands.

Q.—You are not President of any company that this came in? A.—Well, that agreement was drawn before, when it was arranged by Mr. Warren and Mr. Pattison.

Q.—When it was arranged by Mr. Warren and Mr. Pattison at \$90,000 and you say that was when Mr. Warren passed out of the transaction? A.—Yes.

Q.—Then it was drawn and it was put through at \$90,000, you say, just to save changing the word from 90 to 80? A.—It was put through because all the documents were drawn at \$90,000.

Q.—Tell me any other document that was drawn at 90? A.—I did not draw any document.

Q.—Well, what document was there? A.—There was not any document at 90, except perhaps, this one.

Q.—This was the only one? A.—I cannot say what other legal document Mr. Warren drew.

Q.—If Mr. Warren is here he can tell. Was there any other document besides this? A.—I do not know of any.

Q.—There is no other paper that would have to be changed, and do you suggest that this transaction went

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through at \$90,000 just to save striking out the 90 and writing 80? A.—It went through because the papers were all prepared. You, perhaps, have not got it in your mind that I personally guaranteed to the Trader's Bank the money that they advanced. I was personally liable to the Traders Bank for the \$90,000. That money was handed over to me by the Traders Bank. It was my money and no person else's. The arrangement between myself and Mr. McCutcheon, I told you the other day there was not in any way, shape or form any understanding or any arrangement by which there was to be any commission to any person in respect of the money that was paid to Mr. Pattison. I told you, further, that we had arrangements by which this money, as it was a temporary loan by the Trader's Bank, would have been returned and the matter arranged, had it not been that I was particularly anxious that there should be no change in any transaction from the time it was made after the Commission was appointed, from October—

Q.—I do not know that that is any answer to what I am asking you at all. You say you would have spread the payment the Home Life was making over 15 years instead of 10 years? A.—Yes.

Q.—That does not affect this transaction? A.—I think we were arranging to retire from the Traders' Bank, and while I may not have said as much as I am saying now, the arrangement absolutely is, and there is no getting away from it, and no desire on the part of any person to get away from it, that the Home Life has to advance \$80,000 to McCutcheon, under the contract, and that that other matter at the Bank, as between McCutcheon and myself would have been arranged had it not been that I stated to Mr. McCutcheon myself personally, "Now let there be no change. All sorts of improper motives will be imputed to anything that may be done between now and the meeting of the Commission."

Q.—That does not refer to this at all. That refers to changing it from 10 to 15 years? A.—No, it referred to the whole matter.

Q.—We must judge the transaction by what was done at the time? A.—We must judge it by all the circumstances.

Q.—Now, having \$10,000 left with you on the 12th in the Bank— A.—It was not left with me; it was my money.

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Q.—Well, \$10,000 remained with you; put it that way. What did you do with that \$10,000? A.—I retained it.

Q.—What did you do with it? Where did you deposit it? A.—I deposited it in the Bank of Montreal.

Q.—Did you go back to the Bank of Montreal and deposit it? A.—I went to the Bank of Montreal. I went to Peterboro. The meeting of the Home Life extended late into the evening. I went to Peterboro and I deposited the \$10,000.

Q.—When? That night? A.—The next morning. I deposited the \$10,000, I think it was on Saturday morning. And I gave Mr. McCutcheon my cheque for \$10,000 to be applied at the time; it was arranged by Mr. Warren and Mr. McCutcheon that it was to be applied to the retirement of the note, as it was only a temporary loan with the bank.

Q.—You say you deposited that money at Peterborough in the bank on the 13th? A.—Yes.

Q.—You were not here when this transaction was completed by Mr. McCutcheon, because his document is signed on the 13th? A.—I may have been.

Q.—You could not have been here and in Peterborough both? A.—My recollection is that perhaps I was down to Peterborough Friday.

Q.—Did you carry \$10,000 in your pocket all day? A.—I guess I did. I do not think there is any doubt about it.

Q.—Then it was not the 12th you went down? A.—Could not say; it may have been the 13th.

Q.—Here you attended a meeting on the 13th in Toronto, meeting of the Directors of the Home Life held at 2.30 on the 13th, present J. R. Stratton? A.—Well, it was the evening of the 13th I went down.

Q.—And in the meantime you kept the \$10,000 in your pocket? A.—Yes.

Q.—When you went to Peterborough you deposited the \$10,000 there? A.—Yes.

Q.—And what has been done to lessen the liability of the Manager of the company to the Traders' Bank, for which he has secured the bank by this assignment? A.—What has been done to lessen it?

Q.—Yes? A.—I suppose the arrangement has been carried on—by—

Q.—Do not suppose. McCutcheon by this document is liable to the bank for \$90,000. How has that been re-

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duced to \$80,000 if it has been reduced? A.—The loan has to be rearranged, and the Commission has been sitting for some time, and the amount would be applied on the rearrangement of the loan, which cheque McCutcheon has.

Q.—When did he get the cheque? A.—On the 13th.

Q.—How did you get it from him? A.—I got it yesterday.

Q.—Will you let me have it? A.—Yes. You asked for it yesterday and I got it.

Q.—I did not ask for it because I did not know of it until this morning? A.—Well, he knew it was wanted.

Q.—You produce a cheque dated October 12th, 1905, to the Bank of Montreal, pay to J. K. McCutcheon, Esq., Peterborough, or order? A.—No, Bank of Montreal, Peterborough.

Q.—“Pay to J. K. McCutcheon, Esq., or order, \$10,000, re Pattison Home Life, J. R. Stratton, \$10,000.” That document is dated a day before the transfer signed by McCutcheon? A.—The payment to Pattison was on the 12th.

Q.—And on the 12th you made up your mind—

MR. McLAUGHLIN: The money was drawn from the bank on the 12th? A.—On the 12th I gave him a cheque for the \$10,000, and told him we had arranged with Pattison on the \$80,000 basis, and I informed Mr. Warren the solicitor as well.

MR. TILLEY: Q.—And you gave him the cheque for the \$10,000 in order to save changing the \$90,000 to \$80,000 in this document to McCutcheon? A.—That was the arrangement.

Q.—And that is the only reason you can give?

MR. McLAUGHLIN: There is no reason for putting words in his mouth.

MR. TILLEY: You shall not interfere with this examination.

MR. McLAUGHLIN: I am not interfering in this examination in any unfair way.

MR. SHEPLEY: You will not interfere at all, fair or unfair.

MR. McLAUGHLIN: I will not be dictated to by you Mr. Shepley. I am under the ruling of the Commission.

MR. SHEPLEY: I ask to have the examination go on without interruption.

MR. McLAUGHLIN: I think the Commission will not say I have acted unfairly.

MR. SHEPLEY: And that you shall not act until your turn comes.

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MR. McLAUGHLIN: Will the Commissioners say I have treated the other counsel discourteously?

JUDGE McTAVISH: Let the examination proceed.

MR. TILLEY: Q.—Do you say that the cheque has been with McCutcheon from October 12th until yesterday? A.—I do.

Q.—Do you know where he kept it? A.—He went to the vault for it when I asked for it.

Q.—Do you know what it was pinned to? A.—I do not know anything about it.

Q.—Or how it came to be in the condition it is in now? A.—I did not know there was a pin in it.

MR. TILLEY: If your honors will permit me, we will let Mr. Stratton's examination rest here. We would like to have the cheque book from which the cheque was issued.

WITNESS: It was a loose cheque.

Q.—Not issued from any cheque book? A.—No.

Q.—Then we will have to ask for the Peterborough Bank book? A.—I will have to get it for you.

MR. TILLEY: And will have to let Mr. Stratton's examination stand for the present.

JAMES K. McCUTCHEON, recalled. Examined by MR. TILLEY:

Q.—Who paid to Mr. Pattison the \$80,000? A.—I was not present.

Q.—You did not pay it? A.—I did not.

Q.—Are you quite clear you did not pay the money to Mr. Pattison? A.—I am quite positive.

Q.—You had nothing to do with the payment? A.—No, I had not.

Q.—And you had nothing to do with the changing from the \$90,000 to \$80,000; is that right? A.—I was made aware of it.

Q.—When were you made aware of it? A.—On the evening of it.

Q.—When were you made aware of it? A.—On the evening of the transaction or the following morning; I am not clear.

Q.—You mean the evening of the 12th or the morning of the 13th? A.—The evening of the 12th or the morning of the 13th.

Q.—Listen to what you said before at page 2041 of the printed book:—

“Q.—That is Mr. McCutcheon, Mr. Stratton, did he pay any part of it? A.—No, I paid it. Q.—You paid it all? A.—Yes. Q.—Where did you get the money? A.—Mr. Stratton



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furnished it. Q.—Don't you think it might have been fair to say Mr. Stratton paid some part of it? A.—I am not responsible for it. Q.—You are responsible for it to him? A.—Mr. Stratton, for the repayment of it. Q.—You are responsible to Mr. Stratton for the repayment of the \$80,000? A.—Yes."

A.—That is quite clear. I am personally responsible, but the act of paying it over, I did not pay it individually.

Q.—You were asked before:—

"Q.—You paid it all? A.—Yes.

Q.—Where did you get the money? A.—Mr. Stratton furnished it."

Q.—That is right? A.—Yes.

Q.—You think it agrees with your statement now? A.—Yes. It might be misconstrued to put a wrong construction on it, but I am personally responsible.

Q.—Then it was not till the 13th possibly that you knew it was changed from \$90,00 to \$80,000, you say now? A.—Either the 12th or 13th, I do not know.

Q.—Did you ever understand it was agreed at \$90,000? A.—Yes.

Q.—That is was settled to be \$90,000? A.—Yes.

Q.—You understood that? A.—Yes.

Q.—Had that been discussed by you? A.—It had been discussed with Mr. Warren.

Q.—With Mr. Pattison? A.—No, never with Mr. Pattison.

Q.—Never with him? A.—No.

Q.—So that you had no knowledge except such as you got from Mr. Warren or Mr. Stratton? A.—Correct.

Q.—And you understood from Mr. Warren, you say, that it was to be \$90,000? A.—Yes.

Q.—When did you understand that? A.—From I think the morning probably of the 11th.

Q.—Oh Mr. McCutcheon. How long was this transaction settled in its terms and ready to be carried out? A.—I think about the 11th or 12th. It was under discussion for considerable time, but nothing definitely arranged until about the morning of the 11th or 12th, but to be clear as to the day or a few hours, it is almost impossible, a transaction extending nearly a year now.

Q.—Who told you that it had been changed from \$90,000 to \$80,000? A.—Mr. Stratton.

Q.—What was the occasion of his telling you that? A.—I can hardly recall the occasion, but I felt quite

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pleased when he did tell me. I remember that part of it.

Q.—Was it before or after you signed this document dated 13th October in favor of the bank? A.—It was after.

Q.—It was after you had signed that? A.—Yes.

Q.—So that after you had signed the document of the 13th you did not know it was changed from \$90,000 to \$80,000? A.—I am not clear about that.

Q.—I wish you would make yourself clear.

MR. McLAUGHLIN: Ask him when that document was signed.

MR. TILLEY: I will ask him when I reach that point.

MR. McLAUGHLIN: The Commission have ruled that I could suggest matters, and you have either refused to ask the questions I have suggested, or twisted them in some shape? A.—I think it would be the evening of the 12th, or the morning of the 13th.

MR. TILLEY: Q.—Did you know it before you had signed the document of the 13th October? I wish you would think it out and give an answer? A.—I am not clear.

Q.—You must know the circumstances? A.—I am giving you an honest answer. I am telling you definitely what I know to be conscientiously

Q.—You say you cannot in any way true and I will not vary from that. throw any light? A.—I am not clear as to the 12th or 13th.

Q.—You are not clear as to whether it was before or after you signed the document dated the 13th; put it that way? A.—I would certainly say it was after—undoubtedly.

Q.—It was after you had signed the document of the 13th? A.—Yes.

Q.—Would you have signed that document pledging yourself to repay the \$90,000 if you had known that the real transaction was only to pay \$80,000? A.—Well, the whole transaction, if it was \$90,000, the conditions of my contract provided for it; it could not affect me materially one way or the other; if it was either \$80,000 or \$90,000 the contract provided for it.

Q.—There was \$111,000 payable under the contract? A.—There was a sum not to exceed a certain amount.

Q.—And the contract would have to provide enough to pay off this liabil-

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ity under which you had placed yourself? A.—During a term of years.

Q.—So that it was a matter of indifference to you in that way what the sum was? A.—You may rest assured I would like to see it paid off as quickly as possible.

Q.—Other than that it was a matter of indifference to you? A.—I was fully protected under my contract.

Q.—Let me ask you again, would you have signed it for \$90,000 if you had known the real transaction was \$80,000, with that feeling of protection you say you have? A.—It would not have been necessary to have signed it, because it would not have been drawn at \$90,000. If it was actually known then that the transaction was \$80,000 it would never have been drawn at \$90,000.

Q.—If at the time you were asked to sign the \$90,000 contract it was known that it was \$80,000 you would have struck out the \$90,000 and made it \$80,000? A.—Certainly I would.

Q.—Does that establish in your mind now the fact that it was after that document was signed you learned it was \$80,000? A.—Well now, I answered you that very clearly.

Q.—Can you say, having the knowledge that you possess, as to what you would do yourself, under given circumstances, that it must have been after that contract was signed that you learned it was \$80,000? A.—I do not just understand what you mean by that.

Q.—You tell me that if the real transaction had been \$80,000 you would not have signed the contract stipulating for \$90,000? A.—It would not have been necessary.

Q.—Don't say whether it would have been necessary. Would you have done it? A.—If it had been \$90,000 I certainly would have signed it. I believed it to be \$90,000.

Q.—If you had known it was not \$90,000 but \$80,000 would you have signed it? A.—At \$80,000?

Q.—At \$90,000? A.—It would not have been necessary.

Q.—Would you have done it? A.—I do not think it is a fair question, because it is not necessary. It would have been simply absurd for me to have signed a contract. I would not have done it if it had been put in.

Q.—You would not have done it? A.—There was no necessity.

Q.—And it would be absurd to keep it at \$90,000 just to save the trouble of re-typing the document and striking out \$90,000 and putting \$80,000.

That is the way it would appeal to you? A.—If you put that construction.

Q.—I am not putting any construction. I am asking your view? A.—There would be no necessity to put \$90,000 if \$80,000 was there, but may I make this statement. I have listened to the evidence of the President, which was positive, truthful fact as he stated; that cheque that he referred to was given to me on the morning of the 13th, and remained in my possession until yesterday. I put that pin through and put it in an envelope and put it in the vault of the company.

Q.—Let us see the envelope that you put it in? A.—The envelope is destroyed. I tore the envelope when I handed the cheque, because it was sealed. I pinned it and sealed it.

Q.—What did you pin it to, the envelope? A.—Simply to the envelope.

Q.—Did you put it inside the envelope and then pin the envelope? A.—I put it inside the envelope and pinned it.

Q.—To what? A.—In the envelope; sealed it down and put it in the vault of the company.

Q.—Did you seal it down with sealing wax? A.—No, no, just simply gummed it.

Q.—You wrote on the outside of the envelope what, to identify it? A.—Personal property of J. K. McC.

Q.—When did you pin it and seal it and put it away? A.—I think, as far as my memory serves me, I think I am positively correct on it—I think it would be the evening of the 13th or the morning of the 14th.

Q.—So that it was done at once, without lying around in your pocket? A.—Within a few hours. I will put it within a day.

Q.—That is to say when you got it you did what with it? A.—What I have stated.

Q.—And what you knew you would do when you received the cheque? A.—Yes, what I did.

Q.—That is to say it was handed to you for the purpose of using it as you did use it? A.—It was handed to me to be used to pay a temporary loan.

Q.—Was it handed to you to put in the envelope? A.—No, it was just given to me saying "Your note is in the bank, \$90,000. the matter has been arranged at \$80,000. Now here is the difference between \$80,000 and \$90,000. The loan is only a tempor-

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any loan in the bank. When that is re-arranged you have this to apply on that, which will reduce it in accordance with your contract to \$80,000.

Q.—Why did you not go down to the bank and deposit the cheque there and reduce it to \$80,000 at the time? A.—I did not think it was necessary.

Q.—Why did you not do it? A.—The Commission were in session and I thought it would only be a matter of a day or two. I was going to arrange the matter, and it would only be a matter of a day or two when the matter would be adjusted.

Q.—The Commission were then sitting? A.—No, I do not say they were sitting, but it was expected we would be called at any moment.

Q.—While the Commission was not sitting for your company, it was to come for other companies? A.—Yes.

Q.—It had then been appointed? A.—Yes.

Q.—And fearing some question about this thing, when the Commission had been appointed you decided to hold the cheque until the Commission sittings were over? A.—I decided to hold the cheque, yes.

Q.—What has Mr. Stratton just said to you? A.—That is a very fair question. He said "you know what the note was given to you for, to retire a temporary loan—what the cheque was given to you for."

Q.—Is that all he said to you? A.—Well he said, regarding the commission, "You may be a little in error regarding the Commission." I know the Commission was expected to sit. I knew all companies were to be up. The papers were full of it.

Q.—He told you the transaction was a temporary loan, and the cheque was in connection with that, and he told you you were wrong about the Commission sitting or being appointed? A.—Yes.

Q.—Did he tell you anything else? A.—No.

Q.—That explanation of holding the cheque disappears, absolutely disappears, because the commission was not appointed then, and there was no question of appointing one at that time? A.—Well, it was thoroughly understood.

Q.—What? A.—That the investigation of all life insurance companies was coming up.

Q.—You say then that you thought this \$10,000 had better be held because you knew an investigation of life insurance companies was coming

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up? A.—Well, I will not absolutely put it that way.

Q.—What way will you put it? A.—My opinion was it was coming up.

Q.—Was it because of your individual opinion that you thought the insurance companies were going to be investigated? A.—I told you honestly and sincerely about that cheque exactly what I have stated. If you keep me five hours it resolves into the one thing; the truth of that cheque is just as I have stated.

Q.—If you do not answer my question you will have to stay here five hours more? A.—I will give you all the knowledge I can.

Q.—You say that that was your private opinion that there would be an investigation of insurance companies? A.—The air was full of it you know.

Q.—The air was full of insurance investigations? A.—Yes.

Q.—Did you discuss with Mr. Stratton that on account of the air being full of investigation you had better hold the cheque? A.—No.

Q.—Mr. Stratton expected you to cash the cheque? A.—No reference made to that.

Q.—Did Mr. Stratton expect you to cash the cheque so far as you knew? A.—It was not referred to at all. He undoubtedly expected I would cash it and retire that note under the new agreement.

Q.—It was undoubtedly intended you should cash that cheque? A.—Yes, it would be no use giving it if it had not been.

Q.—Did Mr. Stratton hand it to you personally? A.—He did.

Q.—He had not then gone to Peterborough? A.—He had not gone to Peterborough.

Q.—And he had the \$10,000 according to his own statement, in his own pocket at the time. Will you tell me why he would carry \$10,000 down to Peterborough, put it in the bank there, and pay exchange on getting it back here for when he had it here? A.—I cannot explain that.

Q.—Is it not obvious— A.—What bank is that drawn on?

Q.—On the Bank of Montreal in Peterborough. So Mr. Stratton has the money in his pocket, and he takes it down to Peterborough and gives you a cheque to bring it from Peterborough to Toronto? A.—I can say to you sincerely that that did not concern me because I looked upon that cheque as perfectly good under



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any circumstances—no question as to that.

Q.—You put the cheque in an envelope? A.—I did.

Q.—And marked it your personal property? A.—Personal J. K. Mc.

Q.—When was the cheque next mentioned between you and Mr. Stratton? A.—I think Mr. Stratton asked me if I had that cheque yesterday morning.

Q.—Was that the first time since you sealed it up and pinned it on to the envelope? A.—As far as my memory serves me it is.

Q.—The first time? A.—Yes.

Q.—It has never been mentioned since? A.—Not to my recollection.

Q.—It was not mentioned before the company's affairs commenced to be investigated? A.—No, I have no recollection of referring to it since that date until yesterday morning he asked me if I had it, and I went to the vault and got it at once.

Q.—Do you say as between you and Mr. Stratton that there was no discussion as to this \$80,000 or \$90,000 prior to the sitting of the Commission? A.—Only what I have told you the contract was. Mr. Pattison eventually accepted \$80,000 for \$90,000. Mr. Stratton said, "Here is the difference in this cheque which you can apply to retire your temporary note which is in the bank, and there may be a new agreement entered into which may extend the time, say 15 or 20 years."

Q.—And therefore what? Anything else? And therefore hold the cheque? A.—Well I had the cheque.

Q.—Is it not the fact that that cheque was given to you for your protection in case the Home Life did not pay the whole \$80,000? A.—No, I did not look at it that way.

Q.—Is that not the fact? A.—No, I never accepted it, and never believed that to be the fact.

Q.—And you kept it in the vault from that time until this? A.—I did until yesterday morning.

Q.—Then who spoke to you about it? A.—Mr. Stratton asked me if I had the cheque and I said yes. I went to the vault and brought it and gave it to him. I think he made the remark that the commission had asked for it, or that Mr. Warren had informed him that the Commission had asked for it. I think those are the exact words.

Q.—Then you handed the cheque to Mr. Stratton? A.—I did.

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Q.—And you have given us every reason that appears to your mind as to why you did not cash the cheque earlier? A.—I have. I have been very frank and very honest with you. There is nothing to conceal as far as I am concerned in any way, shape or manner.

Q.—You knew of that cheque at the time you were examined a day or two ago? A.—I did. I had it then.

Q.—And said nothing about it? A.—I was not asked.

Q.—Mr. McCutcheon, I understand you to say that you had nothing to do with the fixing of the \$80,000? A.—No sir, I was not present.

Q.—Had you anything to do with the fixing of the 10 payments of \$11,100 each? A.—Had I anything to do with the fixing of it, no, not in the drawing of the contract. It was talked over.

Q.—Had you anything to do with the deciding of the amount? A.—Of the salary, I agreed to accept a salary, and the commission named as set forth in the contract.

Q.—\$11,100 a year? A.—A sum not to exceed that.

MR. McLAUGHLIN: \$11,100 a year has been repeated over and over again, but that is not in the contract. It is a sum not to exceed that, all the way through.

MR. TILLEY: It will amount to \$11,100 a year? A.—No, I don't expect it will. As the business of the company increases and matters go on I think it will be different and I think, as suggested here, that the terms of that contract may be changed.

Q.—What I am asking you now is who fixed \$11,100 as the amount, the maximum? A.—I cannot say definitely who fixed that.

Q.—Don't you know? Was it you, Mr. Warren, Mr. Stratton, or you all combined? A.—We talked it over together.

Q.—Now, on what basis were you figuring? A.—On the basis of the contract, and when we first figured, we figured it on a basis of \$90,000.

Q.—So that that commission under the contract was expected to repay \$90,000? A.—I would not put it that way.

Q.—What way will you put it, please? A.—It was expected to wipe out—well, yes, you can put it that way.

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Q.—Do not let me put it any way. Tell me what it was expected to do?  
A.—It was for that purpose.

Q.—You anticipated when the contract with the Home Life was settled that the provision as to percentage, in addition to your salary, would wipe out a present payment of \$90,000? A.—As set forth.

Q.—Am I right in saying that?  
A.—The very same conditions existed in the prior contract.

Q.—Do not run away from the point. I am asking you whether that provision was to repay the present payment of \$90,000 or \$80,000, which? A.—The object was, to put the provision there with the object of continuing carrying out the getting rid of the contract on the basis of the former contract of Mr. Pattison's.

Q.—That provision was put there to re-imburse the money that was paid to Pattison, was it not? A.—It was to carry out the conditions set forth in his contract that I took over.

Q.—It was put there to wipe out the liability that you incurred to get the money to pay Pattison? A.—Undoubtedly I expected the commissions to retire my liability. The recompense from that was to be applied to wipe out my liability under the note to the Bank, or whoever else might take up the liability.

Q.—Please pay attention to my question? A.—But I want to be fair, you may ask me for an answer that may create a wrong impression. I have no impression but what is honest and sincere in the transaction from first to last and there was not any other intention.

Q.—Now I wish you to answer my question because we will never get on if you give such long answers to questions that can be answered shortly. It was the intention that the provision in the contract should wipe out your liability to the Bank? A.—Eventually.

Q.—Was it intended to wipe out a liability of \$90,000 or \$80,000? A.—On the first talking over with me it was to wipe out a liability of \$90,000.

Q.—On the second talking over it was to wipe out a liability of— A.—\$80,000.

Q.—Was the clause in the contract changed when it was changed from \$90,000 to \$80,000? A.—I think it was, if I remember rightly it was put in the contract at \$80,000.

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Q.—It was put in the contract as you computed it, to pay off \$80,000? A.—Yes.

Q.—On what basis of interest did you compute it? A.—Well, that was the work of the actuary.

Q.—Didn't you discuss that, you the Manager of the company? A.—Those figures were prepared by the actuary. I am not an actuary.

Q.—What actuary? A.—Well, I think there was Mr. Hughes spoke of it at one time. I think the figures were prepared by Mr. Fitzgerald, if I remember rightly, also. I am not clear on that. I mean the actuary with the Home Life at that time.

Q.—Did you discuss the rate of interest at which it was computed? A.—I did not.

Q.—So that you have nothing to do with the computation? A.—No, virtually speaking.

Q.—And you don't know what rate it was computed? A.—I do not.

Q.—But you know that at one time it was computed to pay off \$90,000? A.—Yes, I was told so.

Q.—By whom? A.—By those who were interested, that it was figured on at \$90,000.

Q.—Be more specific. By whom were you told that? A.—Well, by Mr. Warren, the Vice-President and Mr. Stratton.

Q.—That it would pay off \$90,000, is that right? A.—Yes.

Q.—And it was changed subsequently, was it? A.—Or, in other words—

Q.—Answer my question; was it changed? A.—Allow me to put it this way; in other words it was a sufficient amount to retire that in 10 years.

Q.—And it was originally based on retiring \$90,000 in 10 years? A.—Yes.

Q.—Was it changed when you changed from 90 to 80? A.—Was the contract changed, do you mean?

Q.—Was the amount to be paid in order to retire your liability altered? Was the percentage altered? A.—I don't know whether it was or not; I am not clear on that.

Q.—You cannot say? A.—I cannot say at this moment.

Q.—But you know it was computed first on a basis of \$90,000? A.—Yes.

Q.—Now your contract (Exhibit 429) was dated the 13th October, 1905; that would be the same day that you made the transfer to the

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Bank? A.—If the dates show that undoubtedly it is correct.

Q.—Then when you signed your contract with the Home Life you knew it was \$80,000? A.—Is that contract dated the 12th or the 13th?

Q.—This contract (Exhibit 429) is dated the 13th. A.—Well, that may be marked the 13th—it is dated the 13th correctly.

Q.—It was passed at the Board meeting of the 13th so that it must have been executed on the 13th? A.—I would say so.

Q.—So that at the time this contract was drawn you knew it was to be \$80,000? A.—I am not clear on that; I cannot say that definitely that I knew that when that contract was executed.

Q.—Can you say what your knowledge was at any time? A.—Yes the contract—

Q.—This was just October, 1905, not so long ago, and you don't know when this contract was signed, whether you knew it was to be \$80,000 or \$90,000? A.—I believed when that contract was signed it was to be \$90,000.

Q.—And the amount that was inserted here to be paid to you over your salary was to meet the \$90,000? A.—So I understood and believed.

Q.—And that was as late as the 13th October? A.—No, it would be the evening of the 12th.

Q.—No, the 13th of October? A.—Well, but you see that was talked—that may have been dated the 13th, but it was talked of on the 12th. That was the day we took possession. This agreement may not have been executed that night but it was on the day of the 12th that it was all talked over.

Q.—Have you the original of that contract? A.—Not with me, no.

Q.—I would like to see the original to see how the date was put in it. Have you it, Mr. McLaughlin?

MR. McLAUGHLIN: I will get it. It is written into the minutes of the 12th October. A.—It was the evening of the 12th those matters were all talked of. The contract may be dated the 13th.

MR. McLAUGHLIN: Mr. Warren can explain all these things when he comes up; the dates and everything about these papers. (Produces a document.)

MR. TILLEY: Now, we have the original contract; it is dated the 13th of October and the figures "13" are written in. It provides for a salary

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of \$5,000 a year and that is in type-writing. Then it goes on to say "and a percentage of 5 per cent." the "5" is in handwriting, put in in ink, "of the gross actual premiums collected by the company in each year, such percentage, however, not to exceed the sum of \$11,100"—put in in ink—"in any one year," and it is signed by all parties in the presence of Mr. Warren. Now that shows that the percentage of the premiums and the maximum amount payable were not settled until the contract was ready to be signed, does it not? A.—Well, those matters were talked over, you see, at the meeting of the 12th and discussed there and agreed. That contract is dated the 13th but virtually agreed upon as the 12th. The meeting was held very late in the evening or in the afternoon, running on until it was getting late.

Q.—I don't know why you cannot give me an answer to a question and then stop talking for a moment. A.—That is an explanation.

Q.—Was the percentage and the amount agreed to after the contract was prepared and just before it was signed, can you tell me that? A.—I think the percentage and the amount was agreed to at that meeting of the 12th.

Q.—When all parties were present? Do you mean a Board meeting? A.—Well, yes, it was a Board, or an Executive. Either an Executive or a Board, one or the other.

Q.—Do you mean the meeting the minutes of which are recorded here. A.—No doubt there will be minutes recorded. We were very particular about that.

Q.—There is a meeting at which it was said Mr. Stratton, Mr. King, Dr. Briggs, Mr. Klopfer and so on were present. Do you mean that at that meeting it was discussed? A.—Yes, undoubtedly it was discussed many times.

Q.—Other persons present at that meeting say they never heard of that clause in your contract. A.—I cannot help what they say.

Q.—You declare that the percentage to be paid to you and the maximum amount were discussed at the meeting of the 12th? A.—I believe it was.

Q.—Now, that was after the payment had been made to Mr. Pattison? A.—I think so. I am not clear on that but I think so.



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Q.—And it was still being computed basis of \$90,000, is that right or not. Will say computed on a basis of Mr. Pattison's form of contract, to extend over a period of 10 years, as provided in that contract.

Q.—It was being computed on a basis of \$90,000, is that right or not. A.—Yes, I believe that to be correct.

Q.—So that after the \$80,000 had been paid you were still fixing the commission to be paid to you to wipe out the debt on a basis of \$90,000? A.—No, I don't put it that way. I say when it was first discussed and the commission settled.

Q.—I say when it was last discussed and this was signed? A.—It was signed on a basis of \$90,000.

Q.—And it was signed after the money was paid? A.—I believe so. I am not clear on that.

Q.—So after the money was paid it was being figured on a basis of \$90,000; do you want to change that? A.—I believe that is right.

Q.—It would seem to be right because on a basis of 4 per cent. \$11,100 a year for 10 years produces just \$90,031. A.—That is just what I told you the other day in my evidence was the first figures figured on. There was even more than that in the first instance.

Q.—Then you did understand that the present value of the payments would be \$90,031, as near \$90,000 as you could get? A.—Yes.

MR. McLAUGHLIN: At 5 per cent. it would be a good deal less. Would you ask what the figures would be at that rate.

MR. TILLEY: That is all for the present Mr. McCutcheon. I will recall Mr. Warren.

MR. McLAUGHLIN: Mr. Stratton wishes to make a statement.

MR. KENT: Mr. McCutcheon, we have had evidence that the cheque was put in an envelope and then pinned. I cannot understand why it was necessary to put a pin through the cheque when the cheque was already in an envelope? A.—I will explain that. It may appear to you strange. In opening my letters every morning I take out cheques by the dozen. The first thing the amount is settled, I note that with a blue pencil and then I pin the cheque, the letter if any and the envelope together. I do that like clockwork, as a matter of form: all papers contained in the envelope. Often a man sends in a cheque and writes nothing

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and I pin the envelope and cheque together. Simply a matter of form.

Q.—What kind of envelope was that cheque put in? A.—It would be a Home Life Envelope.

Q.—The size of that? A.—No, a different shaped envelope. About that size. I don't know whether I have one in my pocket or not. No, I have not.

Q.—Would you be good enough to fold it up and put it in an envelope, just as you did that cheque. A.—It would be difficult to say just how I folded it, but I would naturally do about this and put it in in this way.

Q.—This cheque has been folded that way; if it is done that way it is not possible to put a pin through it? A.—Folding it this way I may put that cheque in that way, but I am sure that I pinned it. I am sincere in that, it may appear to you different, but I pin every cheque I open or handle, I pin to the envelope.

Q.—If you carried the cheque in your vest pocket it would be folded like this and if it was put in an envelope I cannot conceive why it should have been folded in that way? A.—It may be a hard matter to explain, but I am honest and sincere in my statement. If it does not seem so to you I cannot help it.

MR. STRATTON: (Returns to the witness box and states). There seems to be a desire to create an impression as if some \$10,000 were to be diverted to some other purpose. I want it distinctly understood that there was no arrangement directly or indirectly, ever dreamed of or ever suggested by which any commission whatever or any sum was to be paid to anyone other than the amount to Mr. Pattison. I want to say further that the reason, which perhaps has escaped Mr. McCutcheon's mind, that the \$10,000 has not been applied to the \$80,000 note, has been—the \$90,000 note—that instructions had already been given last March or last February to Mr. Warren to have the papers prepared to have the agreement extended for a period of fifteen or 20 years as we arranged the financial part.

JUDGE MacTAVISH: The agreement with Mr. McCutcheon? A.—The agreement with Mr. McCutcheon. And that the \$10,000 would have been applied to that if the arrangement had been completed. Now, when the Commission met—early in March if I remember correctly, speak-

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ing from memory—I said to Mr. McCutcheon that matters were to stand, that there would be no change, unless the Bank insisted, until such time as the Commission had examined into the operations of the Company, because we would be liable to a misconstruction as to our acts. But that I, or any director or any connection with this matter, is en- person was to receive anything in tirely erroneous, if it is created, and that \$80,000 is the sum which the solicitor was instructed last winter to prepare new agreements for as the amount which the Home Life was liable for.

J. J. WARREN recalled. Examined by Mr. Tilley.

Q.—Did you settle the amount of \$80,000 or \$90,000 with Mr. Pattison? A.—No, I did not, it was Mr. Stratton.

Q.—Mr. Stratton settled it. Did you ever settle with him on any amount? A.—I did not.

Q.—When did you first know that an amount had been agreed on? A.—Well, I understood all along, until the last day that he was getting \$90,000, because I prepared the agreements in advance of the meeting of directors, prepared the resolutions and all that sort of thing; then at the last moment Mr. Stratton succeeded in getting him to take \$80,000.

Q.—That is within an hour or two of the meeting? A.—Yes, I should say it would be. I didn't get any lunch that day—I don't know whether it is a striking fact or not—but I remember distinctly I did not get any lunch that day, and that Mr. Stratton came up from the Bank with the \$90,000. I did not count it, but he had it in his inside pocket and he said, "I have got the money now," and it was then, I should say, about 2 or half past two. The papers had all been prepared and we went up and the matter was closed, and, if I recollect rightly, Mr. Stratton and Mr. Pattison went down to the Bank together. Now that is all I can say.

JUDGE MACTAVISH: That was on the 12th October? A.—That I should say, was the 12th.

MR. TILLEY: You say Mr. Stratton and Mr. Pattison went to the Bank together? A.—They went out of the office together.

Q.—Was that before he came back with the money or after? A.—That was after. There is no doubt in my

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mind that he had \$90,000 with which to pay Mr. Pattison.

Q.—You first saw Mr. Stratton and he had \$90,000 in his pocket? A.—He did.

Q.—Where was that? A.—That was in I should think the Dominion Permanent office.

Q.—At what hour of the day? A.—Well, now I should say it was about lunch time.

Q.—Between one and two? A.—Somewhere after noon, it was after 12 o'clock.

Q.—Would it be or could it possibly be after 2 o'clock? A.—Yes, it could have been.

Q.—It might have been between 2 and 3? A.—It might have been. I know we did not get through with the Home Life that night until quite late—7 o'clock. I know it was too late to go home to dinner and I had dinner at the King Edward. I remember that quite well.

Q.—Let us see what that leads to. Is it right that the closing of the transaction between the Home and the People's occupied all your time and all Mr. Stratton's time that afternoon? A.—I should say so.

Q.—So that you were devoting your whole time to it? A.—Yes.

Q.—There was no interruption of half an hour or an hour for other business? A.—I don't think I did anything but look after that matter that day.

Q.—And Mr. Stratton would be doing the same? A.—Yes. You know there were meetings of the Home Life Board and of the People's Life Board going on, practically concurrently.

MR. STRATTON: We went from one office to the other. A.—Yes, sometimes we met in the People's Life office and then went on to the Home Life.

MR. TILLEY: These meetings you refer to I suppose did not take place until after the money was drawn? A.—No, well, I don't know that. I think if I remember rightly, we had a meeting of the People's Life first. I am not clear.

Q.—In the afternoon or morning? A.—No, I am not clear about that, but the People's Life minutes, if I could see them. It looks as if there was a meeting on the 11th of October of the People's Life and then again on the 12th October.

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Q.—Was there only one meeting at the People's on the 12th? A.—Well, now I don't know. I should say so.

Q.—At what hour was that, does it give the hour? A.—It says "the meeting then adjourned to meet at 3.30 p.m." The meeting was held at 1.30 at the People's and that was an adjourned meeting. There had been a meeting held on Thursday October 12th, no, Wednesday October 11th, when considerable business appears to have been done. It was held in the afternoon at 5 o'clock. I don't know whether I was present at that meeting or not. Probably I was.

Q.—Then it adjourned to the next day. A.—Then it adjourned until October 12th.

Q.—What day of the week? A.—Thursday. Until 3 o'clock, Thursday October 12th. Then that meeting, instead of being held at 3 o'clock, according to the minutes was held at 1.30 and adjourned to meet at 3.30. Now there do not appear to be any minutes of that adjournment. What I mean to say is, there was an adjournment until 3.30 in the afternoon and apparently no minutes and possibly no meeting, at 3.30. If there was one it may be that what happened was this, that I said, Now, we will adjourn this meeting so as to keep it alive until 3.30 and if no business develops.

Q.—You have given us all the meetings of the People's? A.—So far as the minutes show. I was not a director of the People's. I am giving you my recollection.

Q.—From what the records show. Then just to give the Home Life Meetings at the same time, apparently there was a quarterly meeting of the directors on October 11th at 11 a.m. That meeting adjourned? A.—Yes, we thought we were going to close the matter on the 12th.

Q.—It adjourned until 4 p.m. on the same day and then it adjourned until 2 p.m. on Thursday the 12th, and then there was a meeting at 2 and it adjourned until 4? A.—Yes.

Q.—And then at 4 o'clock? A.—The business was done.

Q.—The meeting was held then? That would be after 3 o'clock.

Q.—Now, Mr. Warren, why was there the delay from the 11th until the 12th? A.—I don't know. The 11th was not the regular Board Meeting was it?

Q.—The 11th was the regular Board Meeting of the Home? A.—Well, I can only give you this as the rea-

son, that the contract between the Home and the People's had not been settled up to that time. I had drafted it. I am sure that I got that contract about noon on Thursday, on the day that the matter was closed.

Q.—Did you draw it? A.—I drew it and submitted it to counsel and counsel revised it. The other documents had been drawn before that.

Q.—You got it back from counsel when? A.—It is my recollection now that it was not ready on the 11th. It is some time ago and I don't want to be too positive about it. If you had told me you wanted to ask me these questions, I might perhaps have looked at my docket and refreshed my memory.

Q.—If refreshing your memory from your docket will assist I will be very glad to have the docket sent for. It is only fair to you to give you that opportunity if the entries will help you? A.—Well, if you think my evidence is not quite definite enough for your purpose I would be very glad to.

Q.—Probably you could telephone for it? A.—Well, you know I am not practising now. If you require it it is at your service.

Q.—Then on the 12th you had a meeting at half past one? A.—Apparently there was a meeting of the People's Life directors.

Q.—Now do you think, Mr. Stratton had the money at that time? A.—I don't think he had it at that time.

Q.—So that it would be after half past one? A.—It would be after this meeting. I think so.

Q.—Between that meeting and the 4 o'clock meeting? A.—Yes.

Q.—Well then he got the money and he came up to the Dominion Permanent? A.—Yes.

Q.—And he said he had the money, he told you that? A.—Yes.

Q.—And he had \$90,000? A.—Yes.

Q.—Up to that time had you agreed with Mr. Pattison that it should be \$90,000? A.—I had not agreed upon it. As I have told you before my understanding was and my instructions were that he was getting \$90,000. Which is borne out.

Q.—Borne out by what? A.—By the document that I drew there. I drew the assignment, I drew McCutcheon's assignment in advance. You will probably see those minutes are typewritten, some of them. The minutes of the Home Life meeting,



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the resolutions were all drafted two or three days before and had been typewritten.

Q.—Have you the original agreement between the Home Life and the People's, Mr. Kirby? (Mr. Kirby produces a document.) A.—That is it. It is dated the 12th, is it not?

Q.—It is dated the 12th October, the date being filled in? A.—That is in my writing.

Q.—Filled in in your writing? A.—Yes.

Q.—What next happened after Mr. Stratton met you and said he had the money? A.—Why then, that document that you have in your hand, I doubt if it was completed even then. A draft of it had been submitted to Mr. Pattison, you understand, and the principle of the thing had been agreed upon.

Q.—That is the re-insuring agreement? A.—Yes.

Q.—Mr. Pattison says he did not know the terms of the re-insuring agreement. That the amount of insurance was fixed and so on. Does that change your statement? A.—No.

Q.—You say that he knew the terms of this just as they are set out here? A.—I should say so, yes.

Q.—Then what happened? A.—Why then we went up to the meeting.

Q.—Mr. Stratton and you? A.—Yes.

Q.—That is the 4 o'clock meeting? A.—We went up to the Home Life and there must have been 20 or 30 people there. Everything was in confusion—that is not in confusion in that sense, but this was a matter that was going through and you know at the last moment—

Q.—People were taking away their things, some of the people that were there? A.—No, I did not see anybody taking away anything.

Q.—I mean to say there were some that were taking out their personal papers? A.—No, I didn't see anybody doing that, but I mean to say in a transaction of this kind, when you come down to a definite point there is always a certain amount of perhaps unconscious excitement and—

Q.—Flurry? A.—A little flurry and worry about it, and the Home Life Board were meeting. Have you got the Home Life minutes there?

Q.—Yes? A.—My recollection is that the Home Life Board were in session when we went up there. What I want to say is that I think we had this meeting at the People's Life at

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one thirty and the Home Life apparently met, "the meeting was called to order at 2 p.m. with Mr. John Firstbrook in the Chair." I don't know this; this is what is here, "the minutes of October 11th were read and confirmed." "Moved by Dr. Briggs that the meeting of the directors adjourn till 4 o'clock."

Q.—You are reading from the Home Life? A.—Yes. What you want to know is if I know the reason why that meeting adjourned till 4 o'clock?

Q.—Yes? A.—Well, I don't know, except that matters were not sufficiently far advanced.

Q.—The money had not then been paid? A.—Oh no.

Q.—And Mr. Stratton had not the money then, so far as you know? A.—Well, he had the money some time between 2 and 3 o'clock.

Q.—Then when Mr. Stratton had the money and you were there with him, what happened next? A.—Well, we were together there.

Q.—This was down at the Dominion Permanent? A.—He went on up and left me there and I was completing the papers.

Q.—He went up where? A.—To the Home Life.

Q.—Then what happened? A.—Well, then when I got the papers completed and the minutes finally settled, some of them as you see in typewriting and some drafted at the time, I went up.

Q.—When you got there what condition were matters in then, did you hold the meeting right then? A.—No, I don't think so. I think that what happened was that Mr. Stratton and Mr. Pattison went out. I subsequently went out. I subsequently learnt that they had gone down to the Bank.

Q.—Why would they go to the Bank? A.—Well now, I don't know.

Q.—They did not go down to get the money? A.—No.

Q.—They had the money? A.—The money was there, yes.

Q.—And you cannot say why they went out? A.—I cannot say why they went out. Mr. Stratton could probably tell you that.

Q.—You remember that they went out. Mr. Stratton taking the \$90,000? A.—Yes.

Q.—And up to that time you did not know what the amount was to be? A.—I thought it was \$90,000 from the papers I had drawn.

Q.—Then what happened next? A.—They came back.

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Q.—Both of them? A.—Both of them, and this 4 o'clock meeting, it seems to me, went into session and numerous resignations and elections took place. The minutes speak for themselves.

Q.—The resolutions were put through? A.—Yes, they were all read in the usual way.

Q.—Now, the re-insuring agreement was not presented to that meeting? A.—Well, now I am not sure about that.

Q.—There is nothing mentioned there of it, I think. It is on the 13th that the re-insuring agreement is mentioned? A.—Is it? The adjourned meeting. Well, apparently it got dark. I mean to say that I had not had any lunch and it got on about 6 or 7 o'clock and I said I thought it was time for a halt.

MR. KENT: I suppose the clouds had begun to roll by as soon as they came back from the Bank? A.—I didn't see any clouds at all, the clouds did not come up until later.

Q.—I thought there were a few clouds hanging over until about 3 o'clock? A.—No, no, I think you are wrong, sir, I didn't see the slightest sign of a cloud in the sky. Somebody referred to a blue sky here; I think it was that.

MR. TILLEY: Let us keep to this for a minute longer. Here is the re-insuring agreement in the minutes of the 13th? A.—Yes, but hold on now, I didn't put this through, but it seems to me there is a resolution here which shows the position of this. Isn't that right?

Q.—That is to say you refer to a minute that we had already read showing the position of the arrangement? A.—Precisely.

Q.—In the Home Life books at page 299? A.—Yes.

Q.—That was on what day? A.—The 11th of October, and that was confirmed by the Home Life Board.

Q.—The minutes were confirmed? A.—The charter members you may say, of the Home Life Board, on the 12th confirmed those minutes.

Q.—That is quite as I understand it, but the formal document itself was not presented until the 13th? A.—Well, apparently that is right.

Q.—Now then did you know before the meeting of the 12th when Mr. Stratton came back that \$80,000 only had been paid to Mr. Pattison? A.—I did not know it at that time.

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Q.—When did you first know it?

A.—I learnt it about that time. There was no secret about it.

Q.—Was it after the meeting? A.—Yes, it was after the meeting.

Q.—It was between yourself, Mr. Stratton and Mr. Pattison? A.—No, Mr. Pattison and Mr. Stratton fixed the amount between them, and so far as I was concerned the only reason I got any knowledge of it was that I understood only the \$80,000 was to be repaid out of the commissions under the McCutcheon contract. That has been perfectly understood all along.

Q.—Tell me when you first knew it was \$80,000; was it after that meeting of 4 p.m.? A.—Yes.

Q.—Was it on the 12th or 13th? A.—I wouldn't say as to that; I don't know how that is.

Q.—Had you then decided on the maximum amount to be paid out of the premiums each year? A.—Yes, the maximum amount to be paid—where is that assignment?

Q.—Had you agreed on that? A.—Well, McCutcheon's contract had been agreed on at that time.

Q.—But had you agreed on that part of McCutcheon's contract? A.—Yes, McCutcheon's contract as I recollect it says \$5,000 a year and 5 per cent. of the annual premiums, not to exceed \$11,100, which would approximate somewhere around \$90,000, but which would not exceed—this is the main point—it would not exceed the amount of money that the Home Life would be paying. Pattison and Firstbrook in the ordinary course if the amalgamation had gone off and they had retained their positions.

Q.—What was the object of that clause, was that clause to repay Mr. McCutcheon or was it to pay out of the company the amount that you stipulated that they ought to pay out under the Pattison and Firstbrook contracts? A.—I said here yesterday, Mr. Tilley, what the thing was. The arrangement was this—this was our point of view—as I said, apparently open to criticism. Pattison and Firstbrook had certain contracts with the Home Life, which had a certain value. The arrangement was that McCutcheon was to get such a contract with the Home Life that he would not be receiving any more than they would have been getting if they had continued and the amalgamation had not proceeded. There is no doubt at all but that the real arrangement was that he was to get

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\$5,000 a year net and the rest of his salary contract was to be applied until the \$80,000 had been repaid. But that was only a temporary arrangement.

Q.—Now, do not go to that for the present.

MR. McLAUGHLIN: Let Mr. Warren make his full explanation? A.—What I was going to say, if you will permit me, is this.

MR. TILLEY: We will come to it, of course? A.—I don't know whether you would or not. The arrangement with the Bank was a temporary arrangement. I looked upon Mr. Stratton as being the only man who could get the money to put this arrangement through. There is no doubt if it had not been for him it could not have been raised, but we all along left and knew that this arrangement under which we got this money was only temporary and some other arrangement would have to be made, but when we got into the company and got into its affairs, I may say that I had not been asked to examine its assets, we found that we had to a certain extent discovered a hot potato.

Q.—In what way, what do you mean by that? A.—Well, I mean to say there were a great many things in connection with the Home Life company that required very close examination.

Q.—Of what nature? A.—Oh well, the cost of getting business.

Q.—Was excessively high? A.—Well, I don't say that. It had to be considered. The minutes all had to be gone through. There were questions that have been referred to here in connection with Schloss and Grand Valley and all that, and as a matter of fact we really had not taken stock of the Home Life much before it was time for our Annual Report. Then you gentlemen appeared on the scene and matters have just stood as they were since.

Q.—Now let us get off the narrative style and back to question and answer for a minute? A.—Well, I beg your pardon, but I had that in my mind and I wanted to tell it.

Q.—You say that when \$11,100 was fixed it was based on \$90,000. Is that right? A.—Originally, yes. Of course, you understand it was an approximation. It is not an exact figure.

Q.—Computed at 4 per cent. it produces \$90,000 and some \$30 odd dollars over? A.—I don't know how

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that is. If you say you have done that yourself—I couldn't do it.

Q.—I won't say I have done it myself? A.—If you have done it, then I am satisfied.

Q.—Here it is at 4 per cent., \$11,100, computed by Mr. Cross at \$90,031.

MR. McLAUGHLIN: At 5 per cent. what would it be?

MR. TILLEY: Is there any question about that, that the \$11,100 was based on a present payment of \$90,000? A.—Not originally.

Q.—That was the fact? A.—Of course there is this about it, that we made the computation as I recollect it now under which it was apparent, or at least under which it appeared that Mr. Firstbrook and Mr. Pattison would be in receipt of somewhere between \$16,200 and \$16,300 as salaries if they continued on under their agreements.

Q.—I do not want to prevent you saying everything necessary to explain the position, but I am trying to get the fixing of this amount? A.—I won't say anything more then unless you ask it, Mr. Tilley.

Q.—Your point is perfectly plain, that they were getting a certain amount under their contracts and you say this contract was within that sum? A.—Yes, and the intention was—

Q.—Not to exceed it? A.—And the intention was that anything except the \$5,000 was to be applied to wipe off whatever had been paid them which was actually \$80,000.

Q.—Now come back again to the point. \$11,100 was fixed on the basis of a present payment of \$90,000? A.—Precisely.

Q.—Now those amounts were not put in the contract when it was drawn but were put in after, on the 13th apparently, when it came to be signed and when you knew it was \$80,000? A.—No, these were not put in at the same time as that, I am satisfied.

Q.—Now you are saying that these amounts? A.—The 5 per cent. and the \$11,100 were put in before the date was put in. I am absolutely satisfied of that.

Q.—Was it put in before the 12th? A.—Yes.

Q.—You say that contract with Mr. McCutcheon— A.—That contract with Mr. McCutcheon was probably drawn about the 5th or 6th of October.

Q.—Why was it drawn as early at that? A.—Oh well, I got the papers



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in shape. I knew what had to be done.

Q.—Was the re-insuring contract drawn at that time? A.—It was drawn, yes.

Q.—Was this McCutcheon contract submitted to counsel along with the other? A.—No, the principle of it was—what was submitted to counsel was, the question of the whole matter was discussed, you see, and the question was as to the method of doing what has been done, and that method was adopted.

Q.—Who filled in or who prepared the assignment to the Bank? A.—I did.

Q.—When was that executed? A.—That was executed, I believe, on the 12th October, although it is dated the 13th, because Mr. McCutcheon's contract—

Q.—Now was not that contract executed at the same time as the Home Life contract? A.—Well, now, I cannot tell you.

Q.—The dates are filled in by you; were they not completed at the same time? A.—I don't think so.

Q.—You say not? A.—I think not.

Q.—Will you swear that that contract— A.—I am swearing.

Q.—Of Mr. McCutcheon was signed before the 13th? A.—My opinion is that it was signed on the 12th.

Q.—Why did you put in the 13th when it was signed on the 12th? A.—Because it was going into the Bank on the 13th. It was going into the Bank the next day. I will tell you what makes me think it; this money had been advanced and I wanted to protect Mr. Stratton absolutely, and I haven't any doubt I got this signed and held in over night. Now that is my recollection of it. I cannot swear positively to it because that would be absurd.

Q.—Do you say it was signed on the 12th and dated on the 13th? A.—Yes.

Q.—And this document with Mr. McCutcheon, when was it signed and dated? A.—That would be the same. You mean Mr. McCutcheon's contract?

Q.—Yes? A.—Well, I fancy that was signed by Mr. McCutcheon at the time he signed this, but I don't think it was signed by the Home Life till the 13th.

Q.—What was this document of yours pinned to, Mr. McCutcheon? Was it pinned to the cheque? Mr. Kirby says that this agreement was pinned to other copies of the same document and the cheque was never

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pinned to it. A.—I got this among my papers.

Q.—That is the transfer to the Bank? A.—Yes.

Q.—You made two copies of it? A.—Oh, I think so. Made 3 probably. The Home Life have got a copy?

Q.—And you gave one to the Bank? A.—Yes.

Q.—When did you first see the cheque for \$10,000 that Mr. Stratton gave to Mr. McCutcheon? A.—Oh well, I don't know, I didn't see it in at the time.

Q.—Did you see him write it out? A.—No, I did not.

Q.—Did you know it was given? A.—Yes, I knew it was given.

Q.—When did you first know it was given? A.—I cannot tell you that, it would be some time after.

Q.—How long after? A.—I cannot tell you that.

Q.—Did you know about it when you were in the witness box yesterday? A.—Oh yes.

Q.—How long did you know about it? A.—You mean about the existence of the cheque

Q.—Yes? A.—I have known about it for weeks.

Q.—How many weeks? A.—Oh well, I should say at least 3 months.

Q.—Why didn't you mention it yesterday? A.—Why, Mr. Tilley, you told me you were going to put me in the box for three minutes and ask me my understanding of whether Mr. Pattison knew a certain thing or not, and I went into the box to answer that question and answered it as well as I could, and then you asked me a lot more questions and I answered them as well as I could and perhaps too fully.

Q.—Was this not present to your mind, this cheque of \$10,000? A.—No, not at all.

Q.—You were not thinking about it? A.—Don't be unfair to me, because I don't want to appear as having had that in mind and not having disclosed it.

Q.—I want to know whether it was or was not in your mind? A.—I cannot tell you that.

Q.—I was asking you about the \$80,000 and the fixing of it? A.—Yes.

Q.—And the paying of it? A.—Yes.

Q.—And there was not a word said about this. A.—I told you that the \$90,000 was a rock bottom—your expression, which I adopted, was

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that it was a rock bottom figure, until the last minute. I think you will find that in my evidence. And that at the last minute Mr. Stratton was able to get Mr. Pattison to take \$80,000. That was my evidence. This matter between Mr. McCutcheon and Mr. Pattison—

Q.—Who first told you about the \$10,000 cheque? A.—I think Mr. Stratton did.

Q.—In connection with what? A.—In connection with the company's business.

Q.—What brought it up? A.—Oh well, I don't know that.

Q.—I want to know? A.—I cannot tell you.

Q.—Was it in the year 1906? A.—I should say so.

Q.—January, February or March? A.—What do you mean? Do you mean to say that because of this Commission I heard about it?

Q.—When you first knew of the existence of the cheque? A.—I cannot tell you any more than it must have been 3 or 4 months ago when I first saw the cheque.

Q.—Was it at the time that the Home Life was likely to be examined before? A.—No, I didn't have anything to do with that.

Q.—Was it before that? A.—Yes, it was before that.

Q.—How long before that? A.—I cannot tell you that. What is the date of your Commission?

Q.—In March.

JUDGE MAC TAVISH: The Order in Council is dated the 28th February. The first meeting was early in March.

MR. McLAUGHLIN: The 7th March.

A.—Well, I don't know, Mr. Tilley, whether it was about that time or not. I should say off hand that I actually saw the cheque after that date.

MR. TILLEY: How long after that date? A.—I cannot tell you that.

Q.—In whose possession did you see it? A.—I don't know that. I think it was produced, it was not in Mr. Stratton's possession.

Q.—In whose possession was it? A.—At that time, I know Mr. McCutcheon was there and I was there and Mr. Stratton and this cheque was discussed and it was sent for and gotten.

Q.—Now tell me what was discussed about it? A.—Well, there was nothing discussed about it except this that the cheque had evidently been

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put in the vault and it was sent for, and shown.

Q.—For what purpose? A.—For no purpose at all.

Q.—What were you talking about that brought up the question of the cheque? A.—Well, the question of the modification of Mr. What's-his name's contract.

Q.—Mr. McCutcheon's contract? A.—Had been under discussion for some time, and I advised—while I am not in the advising business to any extent—I advised that nothing should be done pending this—I had advised that from the start—because I told you we were busy with the affairs of the company until practically January or February and then this loomed up on the horizon and we all agreed that matters should remain just as they were until this Commission was over.

Q.—Then at the time this was discussed, it was when you were dissenting what might come out at the Commission? A.—No.

Q.—Was it at the time the Commission was appointed? A.—No, it was probably after it was appointed, when we were having a general conversation about things and when things were being discussed in a general way.

Q.—That was the first time you knew of the cheque? A.—It was the first time I knew of the cheque, precisely. The first I knew of the cheque.

Q.—What were you told about the cheque at that time? A.—I was told, Mr. Stratton said this was a cheque he had handed to Mr. McCutcheon in case anything should happen to him, so that Mr. McCutcheon could carry out the understanding between them, that he had been holding it and not applying it in case the Bank should ask for payment on account of this temporary loan, he could turn it in in that way and save things over for 3 or 4 months longer.

Q.—Then from Mr. Stratton's statement you understood that it was not to be cashed at the time it was given?

A.—Oh it was to be cashed at any time the Bank made a call for money.

Q.—Was that the arrangement? A.—That was the arrangement.

Q.—And it was given to Mr. McCutcheon on that understanding? A.—Yes.

Q.—So that it was not taken by Mr. McCutcheon for the purpose of

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cashing at once? A.—No, well, when the Bank would make a demand, but it was perfectly understood that it was not the personal property of Mr. McCutcheon or of Mr. Stratton but was to be applied on this \$80,000 or \$90,000 advance.

Q.—What was said about that? A.—I don't know what was said in so many words, but that was the understanding.

Q.—Will you say then why it was not applied? A.—Simply because the arrangements had been completed with the Bank for \$90,000. I did not complete them.

Q.—What would it involve to change it and make it a transaction for \$80,000 with the Bank? A.—It would not involve anything except new papers.

Q.—Why would it involve new papers? Would it involve anything more than the alteration of 90 or 80? A.—No, I suppose not. There is no doubt at all, Mr. Tilley, but that when these papers were prepared \$90,000 was the amount.

Q.—That was in the contemplation of all parties? A.—Yes.

Q.—And the cheque for \$10,000 was unknown to you at the time it was issued? A.—Yes, but the liability was known and it was understood that the \$10,000 would be applied on this \$90,000 and that there was nobody making any money out of it.

Q.—And there was no reason, so far as you know, why it should not have been applied at once? A.—Except as a matter of financing. When one has a \$90,000 temporary loan arranged he is apt to be called to pay something and Mr. Stratton said that he would hold this \$10,000 in reserve until he was called for a payment and he would turn it in then and then it could stand a little while longer.

Q.—Is that what Mr. Stratton said? He was the Vice-President of the Bank, was he not? A.—Yes.

Q.—Was he fearing that some person would be called for payment in connection with that transaction? A.—Mr. Stratton is not afraid of anything that I know of.

Q.—And there was no fear of that? A.—No. It is not a case of fear, Mr. Tilley. Did you ever get a loan from a Bank?

Q.—I am not answering questions, Mr. Warren? A.—If you did you have to liquidate it occasionally, and sometimes they will take a payment on account and sometimes they won't. I

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always had to get them to take a payment on account.

MR. McLAUGHLIN: This getting a reduction of \$10,000 seems to have been a mortal sin.

A.—I think the only man who ought to complain about it is Mr. Pattison, he must be disappointed at seeing how close he came to getting that.

MR. TILLEY: Everything you know about the cheque and the existence of the cheque you have now told us? A.—I have told you everything I know, Mr. Tilley.

Q.—And you did not see it written? A.—I did not.

Q.—Didn't you tell me this morning that you saw that cheque written? A.—I did not.

Q.—Or that you saw it at the time it was issued? A.—I don't think I did.

Q.—Will you swear you did not? A.—Oh well, Mr. Tilley, do you mean when I spoke to you this morning and gave you these facts?

Q.—Yes? A.—I don't think so. My recollection is and I want to be clear on this.

MR. McLAUGHLIN: Is it necessary to insinuate anything?

MR. TILLEY: I am not insinuating anything.

A.—I am able to take care of myself, Mr. McLaughlin.

Q.—Thank you, Mr. Warren? A.—If Mr. Tilley goes into the box and says certain things I will answer him, but I don't think when I go to Mr. Tilley and show him this document and tell him everything about the document frankly and fully, that he should say to me—

Q.—You told me about the cheque when we were pressing for the agreement. We were pressing for the documents from day to day and, of course, you had to tell about it, but didn't you say you saw the cheque when it was signed? A.—Mr. Tilley, I came to you yesterday afternoon and said, Mr. Stratton wants to go into the box to make an explanation about the \$90,000. You said to me, "I don't think it is necessary to call Mr. Stratton again; just put in the documents."

Q.—And the documents could not go without an explanation? A.—Never mind, that is what you said to me. Then I went back to the office and I had before that said to you that Mr. Stratton could not come up in the afternoon but he could in the morning. I went back to the office and



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got the documents and then this morning I met you and gave you the facts, adding in view of the facts that Mr. Stratton would have to be a witness.

Q.—Quite so, that is quite true, but did you say or not that you saw the cheque signed? A.—I did not not say that. I said I knew about the cheque, that is what I said, and you did not cross examine me this morning.

Q.—No, no, quite so? A.—I made a voluntary statement to you. Next time I try to save \$10,000 I think I had better not.

Q.—That is all, thank you, Mr. Warren. I will recall Mr. Pattison. I have sent for Mr. Pattison; as he is not here at present I will have to ask him to come again and in the meantime I will recall Mr. Kirby.

JOHN B. KIRBY recalled, examined by

MR. TILLEY: Q.—Is this the document, Mr. Kirby, whereby the People's Life assigned the renewal interest of \$6,350 a year to the Dominion Permanent? A.—Yes, sir.

Q.—So that the amount was payable direct to the Dominion Permanent instead of going through the People's? A.—That was the idea.

Q.—Then I will put in that document and we will just keep a copy of it. It recites the agreement and then provides that instead of the Home Association paying the People's a renewal commission as above set out, the Home Association may pay the Dominion company the amount of such renewal commission on account of principal of the debentures held by the Home Association as above recited. And that such payment or payments shall operate as a complete discharge pro tanto of the liability of the Home Association to the People's Company in respect of such renewal commission. (Filed as Exhibit 443.) That money payable under that contract was to be paid in reduction of the debenture stock. A.—It was to be applied that way, yes.

Q.—The People's owned the Home debentures? A.—That money was due to the People's Life. Yes, you are right in that way, and then finally was used to reduce ours.

Q.—Then, Mr. Kirby, I asked you to find out whether any commissions had been paid on the People's debentures or debenture stock. What did you find out about that? A.—If you will allow me that memorandum. I looked this mat-

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ter up yesterday with one of our accountants and from the books it appears that in the year 1901 there was paid to one Hodgson \$585, a commission for selling debentures to various holders. Then there was an entry of \$25,000. On inquiring into that I was told, and I believe it to be right, that the \$100,000 debentures were issued that year at a price of 75; the difference will be \$25,000, and in adjusting the book entries they just ran it through the commission account.

Q.—Then what you say is that the People's Life debentures were sold at a price that realized the company 75? A.—Yes.

Q.—But the transaction was put through showing the receipt at par and the payment out of a commission? A.—Exactly, to get the par value of the debentures, debenture stock at least.

Q.—To whom were those debentures sold? A.—The entry went through to the Dominion Permanent. I think they arranged it.

MR. McLAUGHLIN: You must remember that Mr. Kirby was not in the employ of the People's Life at that time. These are only facts extracted from the books.

MR. TILLEY: He is the present Secretary giving us what he has got from the books; he has been inquiring into these matters. There cannot be any question as to the accuracy of the information you are giving? A.—No, not as far as I can learn.

Q.—Then to whom were those debentures sold so far as the People's books show? A.—I think the whole entry shows that it was Dominion Permanent. I did not follow the matter out.

Q.—That would be the way the books would state it at any rate? A.—Yes, just the ledger.

Q.—Then to whom was the commission supposed to be paid according to the entry in the books? A.—The Dominion Permanent.

Q.—So that that would be a payment of 25 per cent. commission to the Dominion Permanent and a receipt at par for the bonds, that would be the way the transaction appeared? A.—That is the way it appeared when the adjusting entries were made. It really was not a commission paid. The debentures were sold at 75.

Q.—Then what other item do you find? A.—Then in the following

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year it appears that Hodgson sold some more small amounts, several amounts, and got a commission of \$440. Then there is an entry Dominion Permanent, "directors," it had in it, but that is something like the travelling expenses yesterday. It was an error in putting that in. It was Dominion Permanent for \$20,000. That was \$100,000 apparently sold at a price of 80. The transaction was just the same as the previous year when it was 80 instead of 5.

MR. KENT: Are those cash book entries? A.—I took these from the ledger.

MR. TILLEY: Have you the ledger here? A.—Yes. Apparently they are "To cheque, Hodgson."

Q.—Who was Hodgson? A.—A man they had out selling the debenture stock to the various holders. "To Dominion Permanent Loan." That is a journal entry. "Journal 128." Then "To cheque." Hodgson's were all cheques. This directors was the same.

MR. KENT: The equalizing entries were Journal entries? A.—Just equalizing to bring the book entries up. The People's Life would be liable for 100 cents although they sold it at 75, and these were adjusting entries.

MR. TILLEY: What price was Hodgson selling for? A.—I couldn't say. I don't know.

Q.—Then what is the next transaction you find? A.—The next transaction was in December, 1904, or during 1904 some time. \$200,000 of debentures were apparently retired. Debenture stock at least. Those two items were sold at 75 and one at 80; they were apparently retired at par. Then immediately another amount at 200 and something, 200 and odd thousand were sold to the Dominion Permanent or issued to the Dominion Permanent at a premium of 120, or at least a premium of 20 and a price of 120, realizing over and above par \$48,000 to the company. That more than offset the commissions paid in former years.

Q.—That is to say the Dominion Permanent in 1901 and 1902 did not pay par for the bonds? A.—They did not.

Q.—Although the company was liable to pay par? A.—To pay par.

Q.—Then when those bonds or debentures were redeemed by the People's Life they had to be redeemed at par and then the excess that

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the People's had to pay was made up by a premium on new bonds issued? A.—That is the transaction.

Q.—Instead of paying for these bonds in full in 1901 and 1902 the result was that they did not pay the balance on them until 1904 in that way of working it out? A.—Yes.

Q.—That is practically what the transaction means so far as the books show? A.—So far as the books will show it shows that it was finally more than squared up.

Q.—Do you know whether there were any resolutions covering the issue of debentures at 75? A.—I did not look that up.

Q.—Probably you can do that at the noon adjournment? A.—Yes.

Q.—Then did you prepare the profit and loss statement that was put in? A.—Well, I aided the Insurance Commission actuary to prepare it by giving all the information I could towards making it up.

Q.—That is the actuary for the Commission? A.—Yes, Mr. Jackson.

Q.—The actuary for the Commission and you made it up together? A.—Yes.

Q.—And you have attached to the statement a memorandum of explanation? A.—Yes.

Q.—The memorandum will remain attached to the statement. It refers to the impairment of capital on the 31st December, 1905, as \$68,200. The impairment of December 1st, 1904, as \$1,133. That is to say the impairment was increased by \$67,067 during the year? A.—That is right.

Q.—How would you account for that additional impairment? A.—I think I figured it out there. I don't just recollect now.

Q.—You take the net operating loss as per the statement which is in, the profit and loss statement? A.—Yes.

Q.—\$14,170, and you add to that amount written down or off. \$19,841. Would that be on the building? A.—No, that \$19,000 was a credit taken for market value over cost value on market bonds.

Q.—By the old Home Life? A.—By the old managers of the Home Life.

Q.—On the Grand Valley bonds? A.—On the Grand Valley bonds, principally, it was on some other bonds too, and also writing off the Ontario Light, Heat and Power Company.

Q.—We have had an explanation of that. Then you add to that the

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amount paid to the People's by way of reinsurance \$48,942? A.—Yes.

Q.—You add those together, making \$82,953, and from that you deduct the amount released by reserves \$15,886 and you show a net profit over actual expenses of \$17,016, but the impairment is increased by \$67,067? A.—Yes.

Q.—The amount written off, added to what you paid the People's, \$68,783, which is \$1,716 more than the increased impairment? A.—Yes, the difference would be in our estimates in some of the figures.

Q.—Now, besides all that, during the year 1905 the Home Life obligated itself to pay \$6,350 a year for 10 years, did it not? A.—Well, we treated that as a renewal commission.

Q.—I am just asking you that fact. It obligated itself to pay \$6,350 a year for 10 years? A.—Yes.

Q.—That is done by the agreement? A.—Yes.

Q.—That was a charge on the total renewal commissions? A.—Yes.

Q.—It was not a commission that depended on the continuation of any particular policy? A.—No.

Q.—It was a debt secured by a general charge on the premium income? A.—Yes.

Q.—Does that debt appear in this statement? A.—No, that don't appear in that statement, because as I say, we treated that—the way I read that agreement was a present payment of \$49,000 and a renewal commission of 10 per cent., of 7½ per cent., or whatever the amount was for 10 years.

Q.—There was an immediate payment of some \$49,000 but that was only half of the premium the Home Life was to pay. The other half was in the \$6,350? A.—Decidedly. Spread over 10 years.

Q.—And the payment of that was a debt of the company but the debt was postponed as to payment, that is the whole story, is it not? A.—Just exactly the same as we would in paying an agent.

Q.—It is more like what you would do if you put a mortgage on a building, is it not? A.—No, I did not consider it that way.

Q.—The agent would get a commission on a particular policy if the policy remained in existence? A.—He would get a commission on whatever business he had to look after. He might not necessarily write it himself.

Q.—But that commission in the ordinary way that he would get would

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be a commission based on the payment of a premium would it not? A.—Based on payment of a premium.

Q.—Now this was an amount secured on the whole premium income of the company? A.—Exactly, yes.

Q.—That being one of the assets of the company, just as much as the building would be another asset? A.—Well, I did not look at it in that way, because—if I may explain how I took that agreement—I looked at that agreement that the Home Life were buying that insurance at 50 per cent. present payment and renewal commissions on the business for 10 years. We pay agents just the same way. I may be wrong in my contention but I did not think so and I don't think so now.

MR. KENT: Suppose the company had been asked to give promissory notes of \$6,000 each. You would have entered those notes in your book would you not and treated them as a liability? A.—Well, it would all depend on the agreement in connection with it. If the agreement was such as this I would have treated it as a liability.

MR. TILLEY: If the payment was secured you would not.

MR. KENT: If you create a debt, a liability of \$6,000 a year, you say that because you look at it in a different way to the one most people look at it, that you consider it was not a liability? A.—Well, we have a liability on every policy we write for future commissions to the agent. Probably not just to that agent.

Q.—You agree to pay \$6,000 a year for a certain number of years. Now I think to everybody else that is a straight liability? A.—I think that \$6,000 a year is a minimum amount, is it not? That is just in the nature of a minimum amount; we were settling on a definite amount.

MR. TILLEY: The company could choose the \$6,350 and disregard the premiums altogether, if it wanted to, could it not, under the arrangement? A.—I think that is right.

Q.—So that the premiums, if the People's Life elected, could pass out of the question entirely and they could say, We will take \$6,350 a year? A.—They would have that privilege.

Q.—It had to be that definite in the very nature of things so that the full premium of 100 per cent. would be paid? A.—Yes.

Q.—Did you not understand, Mr. Kirby, as it was said here yesterday



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in effect, I think, that this agreement was drawn and the transaction put through in that way so as to escape being compelled to show that as a present liability of the company? A.—No, I did not look at that, not personally, I did not.

Q.—Then besides that liability there was also the liability of the company on the McCutcheon contract for 5 per cent. up to \$11,100 a year for 10 years. Is that shown in your annual statement? A.—No, decidedly not.

Q.—That would be a liability of \$90,000 if it was reduced to the present time? A.—It would if it was treated that way. Yes, it depends on the interest.

Q.—That 90 and 48 would be, assuming that my way of looking at it is right, a liability of about \$139,000 on the company, not shown by its annual reports? A.—Yes, if you are correct in that. Of course I don't look at it that way.

Q.—When did you know of that \$90,000 or \$80,000 payment? A.—I could not recall just exactly when I heard there was a payment.

Q.—Who did you hear it from, on the street or from Mr. Stratton or some person in the company? A.—It would be likely in the company. I heard there was some payment but I did not know what it was.

Q.—You were the Secretary of the People's Life? A.—Yes.

Q.—And it was the People's Life who were supposed to be a party to the transaction? A.—Yes.

Q.—But so far as you, as Secretary, were concerned, you knew nothing about it except some rumor? A.—Casual conversation.

Q.—A mere matter of rumor? A.—Yes.

Q.—Gossip, but you believed there was something in it, a little suspicious and that was all it amounted to? A.—That was all it amounted to.

Q.—It does not appear any place in the books of the company? A.—No.

Q.—It is entirely outside of the People's? A.—Entirely outside. As the 80 and 90 thousand dollars was outside entirely the Home Life, in their books or anything like that.

Q.—I think you had better leave that to others, Mr. Kirby. I would not like to say I am through with Mr. Kirby. I would like to have him here after the adjournment.

MR. McLAUGHLIN: I would submit so far as the interpretation of

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these documents are concerned, that is entirely a matter for the Court; whether it is a liability or is not, the opinion of this witness is not evidence and is not a matter of consequence.

(Adjourned to 2 o'clock.)

#### AFTERNOON SESSION.

Resumed at 2 P.M., September 13th, 1906.

MR. SHEPLEY: I understand from Mr. McLaughlin that Mr. Pattison will be here in a short time, and therefore we had better wait for a few moments. We wish to call him.

After waiting until 2.15 Mr. Shepley said:

I do not think I am justified in asking that there should be any longer delay. There are some papers that Mr. Stratton will no doubt be good enough to get for us in connection with the banking. The Secretary will make a memorandum which will be handed to him, and I would suggest that if possible they be got here so that we can wind it up this morning. I do not want it to stand any longer.

JUDGE MacTAVISH: We had better dispose of it if we can.

Mr. Stratton stated he would have the bank books asked for by Mr. Shepley to-morrow morning. The examination into the affairs of the Home Life Association was allowed to stand.

MR. SHEPLEY: Of course it is quite understood that the Home Life examination is not closed at all.

JUDGE MacTAVISH: Certainly not, the investigation is not closed.

MR. SHEPLEY: With your Honours' permission I propose to take up the Independent Order of Foresters next.

#### THE INDEPENDENT ORDER OF FORESTERS.

W. H. Hunter appeared for the Independent Order of Foresters.

E. E. A. DuVernet appeared for the Union Trust Company.

Wallace Nesbitt, K.C., appeared with Mr. DuVernet for the Union Trust Co., and also appeared for the Great West Land Company, and others.

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DR. ORONHYATEKHA, sworn, examined by—

MR. SHEPLEY: Q.—Your office in the Independent Order of Foresters is what? A.—Supreme Chief Ranger.

Q.—That is the highest office in the Order I believe? A.—Yes sir, Supreme Chief Ranger or President.

Q.—How long have you been identified with the Order, or how long have you been a member of the Order, I should ask you first? A.—Since 1878.

Q.—Were you or are you now familiar with its history and policy from that time down to the present? A.—I think so.

Q.—You can speak as early as that? A.—I think so.

Q.—Were you when you first joined the Foresters in office in the body? A.—No.

Q.—When did you take office, and what office did you first take? A.—September, 1878, I think, I was elected High Chief Ranger of Ontario.

Q.—And you remained in that position until how long? A.—Till 1882.

Q.—And then what was your position from that time on? A.—I resigned the position of High Chief Ranger because I was Supreme Chief Ranger of the Order then.

Q.—And you have been Supreme Chief Ranger ever since? A.—Yes.

Q.—You are perhaps able to tell us what the original legislative foundation of the Order was? A.—The Order was founded out of a secession movement in the Ancient Order of Foresters in 1874, and for one year they carried on simply the friendly society benefits, that is sick benefits.

Q.—You say it was an off shoot or a secession from the older body known as the Ancient Order of Foresters? A.—Yes.

Q.—And it went out under the name of the Independent Order of Foresters? A.—Yes.

Q.—And it went out under the name A.—Yes.

Q.—That you say was as early as 1874? A.—June, 1874.

Q.—Up to what time do you say it confined itself to friendly benefits? A.

—Just one year, the following year they founded what they call the Endowment Department, which was an insurance benefit.

Q.—You told me in the last two or three minutes something which I should have wanted to know, but I am afraid I did not make the question quite plain; I asked you whether you were familiar with the legislative ori-

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gin of the body, its legislative creation? A.—Yes. They seceded from the other Order and formed a convention.

Q.—But they had some legislative sanction for their existence? A.—No, the laws of the country?

Q.—Yes? A.—No.

Q.—We have been told, and I assumed it to be so, we have been told in the answers which have been made to our questions that there was a certificate issued under certain sections of the Ontario Insurance Act? A.—But that was after that, you were asking me now about the foundation of the Order.

Q.—What was the date of that? A.—I think it was, I am sure it was 1878.

Q.—Then there was a period from 1874 to 1875 during which there was no Legislative recognition of the Body at all? A.—Not in Canada.

Q.—And during which it was an off-shoot or an independent body sprung from the loins of the Ancient Order? A.—Exactly.

Q.—And doing only friendly society work? A.—For one year only; after that—

Q.—Then for the years intervening between the end of that year and 1878— A.—From 1875 down the Order has been giving insurance benefit of some kind or another.

Q.—But it was not organized under the laws of Canada, any Canadian law till 1878? A.—1876 was the first Court instituted in Canada of the Independent Order of Foresters, but it was under the American jurisdiction, the Order was under the American jurisdiction from its foundation to 1881.

Q.—What was it that you did in 1878 with regard to taking out a certificate under the Ontario Act? A.—In 1878 the High Court of Ontario was constituted under the Government of the American Supreme Court, and in 1878, soon after I became High Chief Ranger, we took out the license which the Province of Ontario authorized under the Benefit Societies' Act, I think it was called.

Q.—The Act then in force? A.—Was a public Act.

Q.—Yes; perhaps our citation of it won't be familiar to you, it was Chapter 167 of the Revised Statutes of Ontario? A.—That is right.

Q.—You do recognize that? A.—Oh yes.

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Q.—That is the Act respecting Benevolent, Provident and other Societies? A.—Yes.

Q.—Under that Act you took out a certificate or what is called a license? A.—A license I think it was called.

Q.—For the purposes of the Act, still remaining under the domestic jurisdiction so far as your Order was concerned of the United States body? A.—Yes.

Q.—Did the taking out of the certificate under the Ontario Act at all modify or alter from its inception the sort of insurance you were effecting among your members? A.—Not in the slightest degree.

Q.—Let us go a little further back; I take it from what you have told me that the origin of the Order was on the other side of the line? A.—Yes sir.

Q.—In what State? A.—Newark, New Jersey.

Q.—How old was the Ancient Order of Foresters? A.—They claim to date away back to 1745 I think.

Q.—And your body since it split off has been quite independent of that? A.—Wholly independent.

Q.—And in the race it has probably overtaken and passed the parent body? A.—Slightly.

Q.—In Canada, at all events, its work is much larger? A.—Well, in respect of insurance benefits of course it is entirely ahead of the Ancient Order of Foresters.

Q.—And as to membership? A.—I think the Ancient Order are far ahead of us in that respect.

Q.—In Canada? A.—Not in Canada.

Q.—I am speaking of Canada? A.—I think not.

Q.—Then will you tell us what are the principles upon which your Society is banded together? A.—Well, the first was to give insurance benefits to our members at the lowest possible cost, and also to give the friendly society benefits of other institutions.

Q.—What do you mean, you are using, of course, language that has a technical meaning, friendly society benefits, describe that a little more fully? A.—In 1873 a man had to join one of the insuring bodies, that is one of the fraternal benefit societies that gave insurance benefits, such as the Ancient Order of United Workmen and the Royal Arcanum; none of these gave what is called in the Old Country the friendly society

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benefits, that is sick and funeral benefits, and we conceived the idea of cheapening these benefits to our members by consolidating them in our constitution so that a man would not have to join one fraternal society to get insurance benefits and another to get sick and funeral benefits.

Q.—You have besides these material considerations, which tend to draw your members together, some moral or religious elements entering into your body? A.—Moral, but no religious considerations.

Q.—I do not mean by religious, denominational; what I do mean is that you have, I suppose, a Supreme Being? A.—Oh yes.

Q.—And is it the Christian God? A.—Yes—the Christian God, just a belief, all that we exact in the way of what you have just intimated in religious matters is a belief in a Supreme Being.

Q.—Then when you assented to moral considerations, what had you in your mind? A.—That a man should live a good life, a man should not be a drunkard, he should be a creditable citizen to the State.

Q.—And I suppose by reason of the insurance scheme that he should be in a good condition of health? A.—Yes.

Q.—Do your members include both sexes? A.—Now they do.

Q.—Since when? A.—Since 1898.

Q.—Do the ladies who join your Order become members that are in full standing just as men? A.—Oh yes.

Q.—There is no distinction in that respect? A.—Just a few offices they are prevented from holding I think. My office they cannot hold.

Q.—Any others? A.—I do not think so, I think that is about the only office. They are not allowed to be a Supreme Executive member, and not entitled to be auditors, and we do not give at the present time the sick and funeral benefits to ladies, we give them insurance benefits.

Q.—You have, of course, domestic government? A.—Yes.

Q.—And will you tell me what is your highest domestic parliament? A.—The Supreme Court.

Q.—How often does that meet? A.—Triennially or quadrennially.

Q.—Who decides whether it is to be for three years or four years? A.—Itself.



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Q.—That is, when it meets this year it decides when it is to meet next? A.—Yes.

Q.—And also where, I suppose? A.—Yes.

Q.—You do not always meet at the same place, I suppose? A.—No.

Q.—What is the constitution of that Supreme Court, tell me how its membership is determined? A.—The officers of the Supreme Court and the representatives elected from the High Courts in the jurisdiction.

Q.—Let us get the representatives first, do the representatives elect the officers? A.—Certainly.

Q.—First give me the representative body, give me its constituents, and then we will get on to the officers? A.—In the first place the subordinate courts elect representatives to a High Court.

Q.—How many High Courts are there? A.—Fifty or sixty now.

Q.—Each one of the High Courts— A.—Each one of the subordinate courts within the jurisdiction of a High Court elects representatives to go to the High Court.

Q.—Those are what we might call the primaries? A.—Yes. Then the High Court elects the representatives from it to the Supreme Court, and those representatives and the officers of the Supreme Court constitute the Supreme Court.

Q.—You have, speaking approximately, how many subordinate courts? A.—I should imagine over 5,000.

Q.—Over what territory do they extend? A.—Practically the world over; all over Canada and the United States; the United Kingdom, Scandinavia; we have one court in Belgium, one court in France, in India, Ceylon, in Australia, and in Sandwich Islands.

Q.—World-wide, as you say? A.—Yes.

Q.—With approximately 5,000 subordinate courts you say: you have about 58 High Courts? A.—Between 50 and 60, just about 60.

Q.—The High Courts I suppose their organization and jurisdiction is dependent upon the area or territory? A.—Yes.

Q.—Have you any High Courts in foreign countries besides the United States? A.—Oh yes; in England six or seven High Courts, Wales one, Ireland two, Scotland one, Norway one, Denmark one, Australia, there were High Courts in every State of Australia until recently when some of the High Courts' charters were revoked.

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(Dr. Oronhyatekha, Ex'd.)

Q.—From your statement you had High Courts as extensively, though not as numerously as the subordinate courts? A.—Oh no.

Q.—Covering all the territory covered by the subordinate courts? A.—Yes, wherever there are subordinate courts enough to constitute a High Court we had a High Court.

Q.—How many are necessary? A.—According to the present constitution 20 formerly it used to be only 5.

Q.—20 subordinate courts in the jurisdiction? A.—Yes, and if they wanted a High Court and it was thought best to give it to them they got it.

Q.—And if for any reason it was thought best not to they did not? A.—Yes, but as a rule they got it when ever they had enough subordinate courts.

Q.—And subject to that limitation you had High Courts ranging all over your territory? A.—Yes.

Q.—Where you had not enough subordinate courts to create a High Court in any particular area what was the jurisdiction over that subordinate court? A.—The subordinate courts were under the direct government of the Supreme Court.

Q.—They were not assigned to any subordinate High Court? A.—Oh no.

Q.—But were under the direct jurisdiction of the Supreme Court? A.—No; sometimes we assigned a subordinate court which was near a High Court to that High Court, but as a rule the jurisdiction was with the Supreme Court.

Q.—What was the representation of such a subordinate court as that? A.—No representation.

Q.—In the first place I want to ask you about the financial organization or constitution of the subordinate courts, I think they were sometimes called lodges? A.—No.

Q.—That name has been returned in our answers? A.—All our subordinate courts are called courts, no lodges among us.

Q.—The beginning of a thing is the money you get; what do the subordinate courts do in the way of an income? A.—We allow them to tax their membership up to a certain point.

Q.—You mean by a system of assessment? A.—Certainly, that is for their own maintenance they are allowed to tax their membership up to a certain point.

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Q.—You mean by a system of assessment? A.—Certainly, that is for their own maintenance they are allowed to tax their membership, levy a certain amount of dues every month.

Q.—That is for the maintenance of the subordinate court itself? A.—Yes sir.

Q.—Is that the only revenue it has, its power of taxation or assessment? A.—That is all.

Q.—That of course, tell me if I am wrong— A.—Well, of course they have a little revenue from the initiation, we allow them the initiation fees.

Q.—Initiation presupposes a ritual, I suppose you have a ritual? A.—Oh yes, the best in the world.

Q.—Well, you have a ritual? A.—The best in the world.

Q.—You have millinery also, regalia? A.—Yes, we have very fine regalia, the best in the world.

Q.—Perhaps the most expensive in the world? A.—No, I do not think so.

Q.—Are social purposes included in the purpose for which members of subordinate courts may be taxed? A.—No.

Q.—Refreshments? A.—They cannot be taxed specifically for that; we allow them to use the revenue from initiation and their ordinary annual dues in connection with entertainments of the Order; it must be used for some object connected with the Order.

Q.—When you say for some object, supposing it is refreshments among the brethren after the ritual is over, is there such a thing as that among the Foresters? A.—There may be, we do not countenance it.

Q.—It is perhaps known to exist and winked at? A.—Yes; what I mean is we do not allow as in other institutions a specific tax for beer, for instance, to be used after lodges. We allow entertainments given by the lodge to its members and friends, sometimes.

Q.—Entertainments at which refreshments are given? A.—Yes.

Q.—A subordinate court has the power to assess or tax? A.—For its maintenance.

Q.—That I gather from what you say is altogether distinct from its yearly dues or monthly dues? A.—The premium rates you mean?

Q.—I think you used the expression dues? A.—Yes, that is the court dues are for its maintenance, a sort of domestic tax levied upon its members and to be used only in connec-

tion with the court, and the interest of the Order.

Q.—You are still speaking of the power to assess? A.—Yes, that is the local subordinate court dues.

Q.—And the result of your assessment is what you call the local dues? A.—Yes, court dues.

Q.—Those are strictly, if honestly administered, applied to pure purposes of maintenance? A.—Yes.

Q.—What is included among the charges for maintenance, what sort of charges do you have—I want to know what you mean by maintenance? A.—The payments of the stationery that the court is obliged to use, the payment of any of its officers who are under a salary, for instance the Financial Secretary as a rule is paid, and the lodge rent; those are about the chief things.

Q.—Those are all that occur to you at the moment? A.—Under the word maintenance.

Q.—As being legitimate maintenance expenses? A.—Yes.

Q.—What is the limit of the power of assessment in the subordinate court, how high can it go? A.—I think it is one dollar the limit.

Q.—One dollar per what? A.—No limit.

Q.—I quite understand I am asking you a great many questions you have not thought about for a long time? A.—I was thinking of the High Court dues, to which I think there is a limit of one dollar; the subordinate court dues there is no limit, excepting what the members vote.

Q.—Are the dues fixed by the vote of the Court? A.—Oh yes.

Q.—That is it is popular government? A.—Yes.

Q.—The majority will rule? A.—Strictly.

Q.—The other fund is initiation money, is that the only money that gets into the other fund over which they have a more elastic jurisdiction? A.—That is all.

Q.—Just initiation fees? A.—Well, the proceeds from holding concerts all go to the local fund, if there is any profit made the profit goes into the funds of the subordinate court for the maintenance of the court.

Q.—That is any result in surplus finds its way into the maintenance fund? A.—That is right.

Q.—But within certain limits these initiation fees may be expended for social entertainment purposes in con-

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nection with each subordinate court?  
A.—Yes.

Q.—Is there a uniform initiation fee throughout the whole Order? A.—No.

Q.—Who determines that? A.—The constitution determines a certain limit and the subordinate court fixes what its initiation shall be.

Q.—Again by popular vote? A.—Yes.

Q.—And keep within the limits of the constitution? A.—Yes.

Q.—What is the constitutional limit upon the initiation fee? A.—The minimum rate is one dollar.

Q.—It cannot be less than one dollar? A.—No.

Q.—Is there a maximum limit? A.—There is no maximum limit except in this way that every by-law of the subordinate court must be submitted to me and approved by me.

Q.—That is by you individually as the Chief Executive? A.—But I do not think I have ever interfered with any initiation they have placed upon their membership so that practically there is no maximum limit, just a minimum limit.

Q.—You say you have a revisory or a legal power over— A.—Over all constitutions, subordinate or High Court.

Q.—Then your subordinate court governs itself, does it? A.—Practically.

Q.—Of course subject to your constitution? A.—Upon the lines of the constitution.

Q.—How often do you revise your constitution? A.—Only at Supreme Court meetings.

Q.—Triennially or quadrennially? A.—Yes.

Q.—Your ritual, I suppose, is uniform? A.—No, it is not; we have allowed certain modifications to be made in Quebec for our Catholic members.

Q.—With that exception? A.—With that exception our ritual is uniform the world over.

Q.—What is the position of the officer who assists you from time to time in your answers? A.—The Assistant Supreme Chief Ranger.

Q.—(To Mr. George A. Harper): You won't object to me asking you to be sworn, and then whenever you can help Dr. Oronhyatekha you can do so?

—Mr. George A. Harper was accordingly sworn.

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(Dr. Oronhyatekha, Ex'd.)

MR. SHEPLEY: How often does the subordinate court meet, or is there any fixed rule with regard to that?

—The answers are given by Dr. Oronhyatekha until a change is indicated:

A.—Some weekly, some bi-monthly, and some monthly; they are supposed to meet every month at least.

Q.—It is obligatory if they obey the law? A.—Yes.

Q.—I suppose the frequency with which they meet depends somewhat upon the local zeal, whether there is local zeal or not? A.—Quite so.

Q.—You have spoken of concerts, is that the usual or only form of entertainment that you recognize? A.—Oh no, any sort of entertainment they want, provided it is respectable; concerts, picnics, excursions, anything that the ordinary people take to, amuse themselves and contribute to the entertainment.

Q.—And culture of your members? A.—Yes.

Q.—Let us go the next step; the High Court is composed of representatives sent from the subordinate courts? A.—Yes.

Q.—How many from each court? A.—Altogether depends upon the number of members in the subordinate courts. Rep. by pop. is recognized in our Order.

Q.—Can you give me the unit? A.—Yes. 20 would be one representative.

Q.—20 members of a subordinate would entitle it to one? A.—Yes; some, larger courts, fix it at 50.

Q.—The subordinate court cannot fix its own representation? A.—The High Court fixes that.

Q.—The representation by membership, and 20 is the unit, speaking generally? A.—Yes.

Q.—There may be exceptions? A.—I can give you the Supreme Court rule.

Q.—I shall come to that dealing with the next step; I do not want to be too microscopic; 20 is the unit, and a lodge with 30 would have two representatives? A.—No, I think it would be more than that.

Q.—Have to be 40? A.—Yes, I should imagine so. I had better give you the exact thing. I will have it looked up. It is so long since I have dealt with subordinate courts that I have forgotten. We just re-arranged the last session of the Supreme Court and we are not familiar as we used to be with the sections that deal with these things. I know I am wrong now



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in that first answer because we have in some cases courts where they have dwindled down to ten, and yet they are given representation.

MR. HARPER: (Reads): "A court of ten to twelve beneficiary members in good standing shall be entitled to two delegates, and one additional delegate for each additional twenty-five beneficiary members or major fraction thereof."

WITNESS: Those are the general laws governing the representation. A subordinate court, when it is formed, regulates that and makes by-laws to govern the responsibility of its subordinate courts to its body.

Q.—When you said subordinate court you mean High Court; the High Court fixes the representation for its subordinate court? A.—Yes.

Q.—And the Supreme Court fixes the representation for its constituent High Court? A.—Yes.

Q.—Speaking generally, how many representatives will you usually expect to find at a High Court meeting? A.—It depends entirely upon the size of the jurisdiction; for instance, if the High Court of Ontario, that is really the High Court of Western Ontario—

Q.—When you say Western Ontario you mean from Toronto west? A.—No, I think it is somewhere about Guelph or Hamilton; there are three High Courts in Ontario; it had about 300 representatives at its recent meeting in St. Thomas, and not all subordinate courts were represented; say, for instance, in the High Courts which have some twelve or fifteen thousand members, we would expect two to three hundred representatives present.

Q.—I think that is probably quite sufficient for the present purpose; what business does the High Court do? A.—Elect its officers and to settle domestic difficulties among its courts to arrange for the spread of the Order within its jurisdiction and to determine upon a taxation of the members under its jurisdiction for the ensuing term; all domestic affairs.

Q.—I think you said it meets once a year? A.—I think the majority of the courts are now meeting biennially, some triennially; some old courts, however, meet annually.

Q.—You have some High Courts that sit yearly, some biennially and some triennially? A.—Yes.

Q.—Have the High Courts funds? A.—Yes.

Q.—How are their funds provided? A.—In the first place there is a profit

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on the sale of supplies to the subordinate courts.

Q.—Is the High Court a shop-keeper for supplies? A.—Yes.

Q.—And sells supplies at a profit? A.—A High Court may be anything that is for the benefit of the Order.

Q.—It sells supplies to the subordinate court? A.—The idea is the Supreme Court manufactures in large quantities and gets it much cheaper than either the subordinate or High Courts could get it; we sell those supplies to the High Courts.

Q.—At a profit too? A.—Yes, at 20 per cent. less than it costs us.

Q.—More than if cost you? A.—No, less; we can sell at 20 per cent. discount and still make a profit; between our manufacturing and selling price there is quite a margin. To the High Courts we sell at a discount of 20 per cent., and they sell at list prices, so that they ought to make 20 per cent. on all their transactions less cost of carriage on their goods.

Q.—That is the subordinate courts who are the ultimate consumers pay two middlemen? A.—Yes.

Q.—The Supreme Court and the High Court? A.—Yes.

Q.—Each of which is supposed to make a profit of 20 per cent— A.—No, the Supreme Court makes sometimes a bigger profit than that, and sometimes very much less.

Q.—What would it average, 20 per cent? A.—I have not considered that.

Q.—That is the way in which the supplies reach the subordinate courts? A.—Yes.

Q.—Is there any other source of revenue for the High Court? A.—The taxation.

Q.—Is that taxation per capita or per subordinate court? A.—Per capita.

Q.—Upon the subordinate court? A.—Of the membership under its jurisdiction.

Q.—That is per capita of the Order? A.—Yes.

Q.—That is an additional power to tax superadded to the power to tax that the subordinate court has? A.—Yes.

Q.—And is there a constitutional limit upon that? A.—Yes, I think it is one dollar a member.

Q.—If you have twelve or fifteen thousand members within the jurisdiction of a High Court you may raise by this capitation tax twelve or fifteen thousand dollars? A.—Certainly.

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Q.—Do they go to the limit? A.—Very few.

Q.—They fix the amounts keeping within the dollar per head? A.—Yes.

Q.—What regulates the fixing of the capitation tax for the High Court? A.—A Finance Committee is appointed.

Q.—What considerations affect the judgment of the High Court in fixing the capitation tax? A.—A Finance Committee is appointed, and they estimate the probable expenses of the High Court during the year, and they estimate the probable revenue from the sale of supplies and other sources, if there be any, and then levy the tax to cover the estimated cost of the High Court expenses.

Q.—So as to supplement the fund at their disposal and cover expenses? A.—That is right.

Q.—That estimating is done yearly, is it? A.—At every session of the High Court the Finance Committee do that and submit their report to the High Court.

Q.—This is of course only a difficulty in detail, and probably does not exist; take your court that only meets every three years, will it estimate for the whole three years? A.—Certainly.

Q.—And its power will be three capitation taxes of one dollar each? A.—Well no, not a dollar each; some of the High Courts only collect about 25 cents per capita.

Q.—But they have the power? A.—Yes.

Q.—When they make their assessments they can estimate on three capitation taxes? A.—Yes.

Q.—You said after estimating the profits from supplies and other sources of revenue, if any, what other sources of revenue have you in mind, the High Court? A.—I do not think they have any other.

Q.—They have not an initiation, I suppose? A.—No.

Q.—They do not receive the insurance moneys or anything of that kind? A.—No; I am reminded there are the charter fees. The charter fees of the subordinate court instituted within its jurisdiction.

Q.—Is there a charter fee to the Supreme Court as well as to the High Court when a subordinate court is— A.—No, unless the Supreme Court institutes the subordinate court then it pays a royalty to the High Court in whose jurisdiction it institutes the subordinate court that is another source of revenue.

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Q.—Is there concurrent jurisdiction in the Supreme Court and the High Court within the area covered by the High Court territory to establish courts? A.—Yes.

Q.—Concurrent jurisdiction? A.—Yes, to extend the Order the Supreme Court has jurisdiction everywhere, and of course in High Court jurisdiction it has concurrent jurisdiction with the High Court.

Q.—What is the charter fee? A.—\$100.

Q.—And is that uniform throughout the whole world? A.—Yes. The Assistant informed me that it is now only one dollar a member.

Q.—Probably you should not be expected to take note of such a trifling discrepancy as that, perhaps most of your lodges have 100 members? A.—Many of them have, but not at the inception; it is a recent modification of the law.

Q.—That is made no doubt for the purpose of building up the Order? A.—Cheapening the amount in order to meet competition.

Q.—Is there any other sort of revenue to the High Court that you think of? A.—I think not.

Q.—What class of expenditure falls within the ambit of the Supreme Court? A.—First, out-of-pocket expenses of the delegates in attending the High Court; and then the payment of salaries of any of its officers, the payment of the expenses of its officers to travel on the business of the High Court, and the payment of the expenses connected with the High Court, annual or biennial or triennial meeting, and the payment of its organizing officers, because some of the High Courts have organizing officers and help us in that way to spread the Order.

Q.—That is officers other than the ordinary officers that fall within that term? A.—We do not call them officers, we call them organizers.

Q.—Tell me what their work is? A.—They travel about getting membership, help the existing court people build up its court by getting new members, and organizing new courts.

Q.—Is the organizer always sent out by the High Court, or does the Supreme Court also send out organizers? A.—Oh no, the Supreme Court I think does more of that kind of work than the High Courts, but some High Courts help very materially.

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Q.—You have told me in the case of the subordinate court, in the case of the High Court what officers are under salary apart from the organizers? A.—Generally the High Chief Ranger is given not a salary but a donation or gift at the end of his term.

Q.—A sort of bonus? A.—The High Treasurer gets a small salary, and the High Secretary is the largest salaried officer in the High Courts.

Q.—I suppose the salaries of your High Court Secretaries are not uniform? A.—No, and not much as a rule.

Q.—How is the representation from the High Court and Supreme Court governed? A.—The representation is that the High Court elects the number of representatives which according to the constitution they are entitled to have in the Supreme Court.

Q.—And what is the constitutional regulation of number? A.—The Supreme Court is limited to 210 members, and then after taking out its officers the balance is apportioned according to the membership in the High Courts at the time this apportionment is made.

Q.—That determination is made by the Supreme Court? A.—Yes, and each High Court however is entitled to one, where its numbers be away below the unit called for by the numbers in the Order, it must have at least one, and then as many more as its numbers entitle it to.

Q.—I suppose there is a notification of some sort given by the Supreme Body to the High Body, "You are entitled to elect so many of the representatives for the approaching meeting according to the constitution?" A.—Yes.

Q.—And then that High Court elects the number? A.—At its next meeting it elects that number.

Q.—That is done I suppose shortly before? A.—Just as near as possible to the Supreme Court meeting. The unit I think is fixed in January prior to the meeting of the Supreme Court which is usually in August, so that the High Court have ample time to elect their representatives.

Q.—As the Supreme Court is not in session at the time the fixing takes place it must be done by some officer of the Supreme Court? A.—By the Executive.

Q.—Who are the Executive Officers of the Supreme Court? A.—The Supreme Chief Ranger, the Past Su-

preme Chief Ranger, the Supreme Vice Chief Ranger, Supreme Secretary, Supreme Treasurer, Supreme Medical Officer, and the Supreme Counsellor.

Q.—Meaning an advocate? A.—Yes.

Q.—You have certain Committees or Sub-bodies in the Supreme body, have you? A.—Just such bodies as may be created by the Supreme Court—

Q.—For instance you have an Executive Committee, or is it a Council? A.—An Executive Council we call it, but they may create sub-committees simply to facilitate the transaction of business, a sub-committee from among themselves.

Q.—What such Executive Bodies have you had in the Supreme body of recent years? A.—I think about the only bodies we have had has been the Loaning Board to deal with our investments.

Q.—For instance, what is the constitution of the body which holds what are called Executive meetings? A.—That is the Executive Council.

Q.—Composed of the officers whom you have mentioned? A.—Yes, the seven officers.

Q.—Then there is a sub-body known as the Loaning Board? A.—Yes, out of the then Executive Council.

Q.—How many members are there of that? A.—I think there have been four as a rule.

Q.—What four? A.—Chiefly residents in Toronto, members of the Executive Council. Latterly Mr. Stevenson has been specifically mentioned as a member of that Board, because it might be taken that he was not a resident of Toronto.

Q.—And the minutes which are found in what are called the Mortgage Minute Book are the minutes of the Loaning Board? A.—Yes, the action of the Loaning Board.

Q.—Your great financial scheme, because it is a great financial scheme, your great financial scheme is under the control of the Supreme Court? A.—Under the control of the Executive Council.

Q.—The Executive Council is responsible to the Supreme Court? A.—Yes.

Q.—I want to get the financial work which falls within the jurisdiction of the Supreme Court. What are the sources of revenue, using the word in the broadest sense, over which the Supreme Court has con-



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trol? A.—First of all will be the Supreme rate paid for the benefit insurance, sick and other benefits. Next will be the charter fees of the courts which it institutes, and the extension of the Order tax of its members.

Q.—When you say of its members you mean? A.—The whole membership, and the tax of one cent per member of the whole membership for the Orphans' Home, and the registration and certificate fees of new members coming in.

Q.—These are fees paid by the subordinate courts, are they? A.—No, by the applicant himself.

Q.—Are they paid by the applicant directly to the Supreme Court? A.—Yes.

Q.—That is the applicant for the membership has to pay first to the subordinate court? A.—Pays the initiation fee to the subordinate court to join. Pays the certificate and registration fee to the Supreme Court.

Q.—Are these substantially the only sources of revenue of the Supreme Court? A.—That is all, and 5 per cent. of the Mortuary Fund, whatever it receives. We take 5 per cent. for Management Expenses.

Q.—But you have given me that included in the premium rates, have you not? A.—Oh yes, sure.

Q.—The greater includes the less? A.—Yes.

Q.—You have given me the whole and then we will divide it up later? A.—Yes.

Q.—I want to take those up in a little different order from that which you have given us; in the first place there are the registration and certificate fees of the joining members? A.—Yes, which I may say is frequently remitted, and while the dispensation remitting these is in existence the registration and certificate fees are not exacted.

Q.—Under what circumstances does remission take place, what are the grounds for remission? A.—Simply to facilitate the securing of new members; competition is getting keener and keener every year.

Q.—And you have to give a member some consideration for joining? A.—Rather to meet other societies who throw off all fees.

MR. KENT: Rebates?

MR. SHEPLEY: Rebates in another guise.

A.—I do not think it can be called a rebate in any sense of the term.

Q.—What you do is to forgive the fee, the registration and certificate

fee? A.—Yes, for a limited time with us.

Q.—When you say for a limited time what do you mean? A.—Generally I grant a dispensation from say first October to first January, make a special effort.

Q.—So as to build up the membership during the latter part of the year? A.—Yes.

Q.—Has there been any more extensive remission than that? A.—No.

Q.—When you make a remission you make it all over, or only in certain jurisdictions? A.—All over, and permit subordinate courts to avail themselves of it just as they see fit.

Q.—That is if the subordinate court does not desire to have the advantage of the remission it does not need to take it? A.—No, and we have a number, of course, who say they do just as well without these remissions, and they do not avail themselves of it.

Q.—What is the registration fee and what is the certificate fee, or are they one fee instead of two? A.—Two; the registration fee is for the trouble of entering them in our books, supposed to be.

Q.—How much is it? A.—\$1, and the other is for the policy and other papers they get, certificate of membership.

Q.—How much is that? A.—\$1.

Q.—Are these rates uniform throughout the world? A.—Yes.

Q.—You either throw those off or else exact them in full? A.—Yes.

Q.—That is one source of income; then you have charter fees; do you get charter fees from the High Court as well as from the subordinate courts? A.—Yes, and from the Royal Foresters, Encampment of Royal Foresters.

Q.—What is that? A.—It is more ornamental than anything else, than useful, excepting as an advertising card.

Q.—Is it an occasion for wearing the best regalia in the world? A.—That is right.

Q.—Tell me about the Royal Encampment, what constitutional status has that body? A.—It is just a uniformed rank to compete with the other organizations who have such bodies.

Q.—Like the Knights of Pythias? A.—Yes, and the Oddfellows and the Knight Templars and Masons.

Q.—You say people attach themselves to this body; are they elected by somebody? A.—Yes, they are elec-

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ted by the Encampment itself; in the first place a charter is granted by the Supreme Court to—

Q.—A nucleus? A.—Yes.

Q.—And are they all created knights of this order, whatever it may be? A.—Yes.

Q.—And then that body may itself increase itself? A.—Then they take charge of their domestic concerns and regulate the terms of admission and all that sort of thing and they elect—

Q.—And I suppose there are constitutional limitations against their interfering with each other's territory? A.—Yes.

Q.—There is a constitutional provision made for all these details? A. Yes, and the benefit of the order is the enormous advertisement it gets whenever these chaps come out with their fine regalia.

Q.—And then the satisfaction of appearing in a uniform? A.—Well, there is with some men a great deal of satisfaction with that sort of business, and you can count me among them.

Q.—The Royal Encampment pays for a charter also? A.—Yes.

Q.—And does it pay any other fees to the Supreme Body? A.—I do not think so.

Q.—I think I was asking you, and I dare say you answered it, but when you spoke about the uniformed encampment you got me away from it; the High Court pays for charters to the Supreme Court body as well as the subordinate body? A.—Yes.

Q.—What is the High Court charter fee? A.—\$200.

Q.—Is that uniform? A.—Yes.

Q.—What is the Royal Encampment charter fee? A.—\$200.

Q.—The Order Extension Fund, tell me about that? A.—It is a consolidation of all the taxes we used to levy in order not to annoy our membership by having two or three taxes to pay, and we call it the extension of the order tax.

Q.—What were the old taxes whose place it took? A.—The capitation tax for one, and then a tax for the subscription to The Forester.

Q.—That is the official organ? A.—Yes, and we called all these taxations the extension of the order tax, and it is used chiefly for the purpose of extending the order. Of course we use it also to pay the publication of The Forester out of it.

Q.—I should not wonder, because you expend a great deal more than

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that tax for the extension of the order? A.—We have, and I would like to do it again.

Q.—What is the tax in figures, dollars and cents? A.—It is graded.

MR. HARPER: Five cents a month for each member holding \$500 of insurance; ten cents for each holding \$1,000; 15 cents for each holding \$2,000; 20 cents for each one holding \$3,000; 25 cents for each one holding \$4,000; 30 cents for each one holding \$5,000.

Q.—It is regulated then by the amount of insurance benefit which the member is carrying?

WITNESS: Yes.

Q.—Is that paid monthly? A.—Yes.

Q.—Remitted to whom? A.—To the Supreme Treasurer.

Q.—Remitted by the member or by the court? A.—By the subordinate court.

Q.—The subordinate court— A.—Collects from all its members and sends it in one lump sum—

Q.—Of course with a list of those who have paid? A.—Yes.

Q.—Let me ask you here does an assessment to pay that tax militate against the validity of the insurance benefits? A.—Suspends the member from the order; failure to pay any liabilities to the Supreme Court suspends him from the order.

Q.—That is the extension of the order tax; now the other source of revenue, was there any other besides the premium rate that I have not asked you particularly about? A.—No, we have mentioned the charter fees.

Q.—Yes, and the extension of the order tax, and there was one other, I think we have them all. Now about your premiums, who fixes your premiums? A.—The Supreme Court.

Q.—The Supreme Court or the Executive? A.—They generally recommend to the Supreme Court what to do and they generally do it.

Q.—The Supreme Court pretty generally does what the Executive recommend? A.—I never recommend anything except what I think is right.

Q.—The Supreme Court then, is constitutionally charged with the fixing of your premiums whatever they may be? A.—Yes, sir.

Q.—Have you made substantial alterations in your premiums of recent years? A.—Yes and no; we in-

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creased the rate in 1898 which came into effect on the 1st January, 1899.

Q.—That is the yes part of it, what is the no part of it? A.—You said substantially.

Q.—I might have left out the word substantial? A.—Yes.

Q.—What was the increase, was it by a percentage? A.—No. The way we calculated was to take a man's expectation of life at age of entry and compute that at 4 per cent., and the amount that was required to produce \$1,000 at his expectation of life was fixed as the new premium rate, and all through the ages of the table the same rule was applied.

Q.—Let me see if I have got that so that I can understand you; what you did was to take a man's expectation of life at the time he entered the order? A.—Yes.

Q.—And fix upon him such premium as you calculated would, if invested during the expectation at 4 per cent., produce the \$1,000? A.—Yes, after deducting 5 per cent. for expenses.

Q.—I was just going to ask you whether you added to that the 5 per cent. for expenses? A.—No, we deducted in making the calculation, so that the net premium would produce the thousand dollars.

Q.—That you started to do in 1898? A.—Yes.

Q.—And that perhaps had some logical connection with your legislation that you were getting from the Dominion about that time? A.—No, it had no connection with it, it was another matter entirely.

Q.—I do not want to go into anything that is controversial at this stage of the examination; before that how were your premium rates arrived at? A.—Practically on the premium rates adopted at the reorganization of the order in 1881.

Q.—What do you mean by the reorganization, because that you have not told me about? A.—You did not ask me the question. The reorganization was because the old management had practically ruined the order, in fact we were reduced in Canada to 369 members; defalcation had taken place by the Supreme Treasurer, and other matters were mismanaged, and finally the American Supreme Court at its session in June, 1881, resolved to change the name of the order to the United Order of Foresters, and when we met the High Court we recommended that

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we do not give up the old order. It was incorporated by the Provincial Act and our name had been identified with the order and we resolved to try and revive, and re-constitute the Supreme Court.

Q.—Get the sap going in the old trunk? A.—Yes; reconstituted the Supreme Court from which the present organization dates.

Q.—You have been independent of the United States order before it? A.—No, a small section of us stuck to the Supreme Court of the United States up to that time.

Q.—A small section of you? A.—In Canada; the secession of the Canadian order took place in 1879.

Q.—I had forgotten for a moment the secession of the Canadian order? A.—And left only 196 of us.

Q.—Left only the old Independent Order still adhering to its allegiance to the American order? A.—Yes.

Q.—In 1887 you claim your independence? A.—Yes, from the United States Supreme Court. At its reorganization a few of us got together and said we ought to reorganize this on the plan of its being a permanent institution, and we ought to adopt such rates as would give promise to last, and finally we resolved to take the combined experience table, I think it was, and take its rates of cost of risk at first entrance and adopt it as the premium rates of the reorganized order. With slight modifications in the older ages hardly affecting the premium rates we continued those rates until we changed in 1898 and built up the order. In 1889 we thought we were strong enough to be entitled to incorporation by the Dominion Parliament. The question was being raised, we being an Ontario Corporation that we might be hindered in our work in the other provinces.

Q.—I am not quite ready for that, if you do not mind my stopping you just there, I want to have your evidence upon the history of the Order presented in a certain order? A.—It does not matter to me in what order, just whatever you wish.

Q.—There was this reorganization which settled your rates for the period as it turned out from 1881 down to 1899? A.—Yes, with slight modification, as I have just said, in a few of the older ages, 50 and upwards.

Q.—But that did not substantially affect it? A.—No.



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Q.—Commencing with 1899 your rates were fixed in the way you have told me, and they have continued so since? A.—Yes, I ought to say to you now, I think, that the underlying principle was to get for our membership the insurance benefit at absolute cost; we did not know what it was, and we set out to find that.

Q.—We will probably know whether you have found it when we are through with this? A.—I will try and give you the information.

Q.—What did you do with the premium rate when you collected it, what was your course with regard to it? A.—Banked it and pay out of that—

Q.—Did you enter it up under different headings? A.—No, not at first.

Q.—Did you take money out of it in any shape, for instance, your expense fund, what funds did you create in other words? A.—We took five per cent. out of these rates, however, away back—

Q.—When you say you took it out what did you do, did you start an account? A.—We had to give an account of it at the Supreme Court.

Q.—Did you start an expense account in your books? A.—No.

Q.—Carrying five per cent. of your premium collections to this account? A.—I presume there was, there must have been.

Q.—Perhaps you do not feel familiar enough with the bookkeeping to say how that was? A.—Oh, I think there must have been; I thought you were referring to the bank account, but in our own books all these are shown right from away back.

Q.—Under what headings were your funds ranged? A.—I should imagine it would be the mortuary fund, the general fund, the sick and funeral benefit fund.

Q.—And contingent fund? A.—No, that is a recent creation.

Q.—Those were the funds, the mortuary fund, the sick benefit fund? A.—Yes, and the general fund.

Q.—What was the purpose of the mortuary fund, what purpose was it supposed to serve? A.—To pay the benefits accruing in the insurance department.

Q.—That is life insurance benefit? A.—The life and total and permanent disability benefit.

Q.—What was your total and permanent disability benefit, what was your scheme in regard to that? A.—In the older societies no provision was made for a brother who became totally disabled to carry on his insurance, and we thought that was not frater-

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nal, and we created this benefit in order that when a member became totally and permanently disabled instead of his wife carrying his insurance the whole order should join and carry the insurance, and therefore the man was relieved entirely from paying any further taxation.

Q.—Even although he had not arrived at the expectation of life? A.—Whatever time the disability occurred he was entitled to this relief.

Q.—That is the Order would make good the premiums between the occurrence of the disability and the expectation of life? A.—Yes, that is right.

Q.—And that was, of course, dealt with as a matter of finance out of your mortuary fund? A.—Yes.

Q.—But the primary purpose of the mortuary fund was, of course, to provide for the insurance? A.—And the other benefits; we regarded the total and permanent disability fund as part of the insurance.

Q.—As a part of the benefits you were insuring by your policy or certificate? A.—Of course, whenever a man died the amount paid to him in the total disability was deducted from his policy.

Q.—When you say the amount paid to him did you make payments to him before his death in addition to carrying his insurance for him? A.—Yes, we paid one-half of the face of his policy and freed him from all taxation.

Q.—And then the other half went to his representatives on his death? A.—That is right.

Q.—The Sick and Benevolent Fund out of what was that provided? A.—It is a special separate tax for that fund.

Q.—What tax was that? A.—Premium rates; my recollection is, that we charge at 18 years of age to-day forty cents a month for that benefit.

Q.—Is that added to the premium the life insurer pays? A.—It is a wholly separate affair, and only those that wanted that benefit were obliged to take it. You can come into the order and take only our insurance benefit and not bother with the sick benefit at all.

Q.—Or could take the sick benefit and not take the insurance? A.—You had to take some insurance.

Q.—You had to take some insurance in order to entitle you to come in on the other benevolent fund? A.—Yes, but the sick benefit was optional to the member.

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Q.—Was there a limit upon the amount you warranted in case of sickness or for funerals? A.—Yes.

Q.—What was the limit? A.—In the olden days I think it was \$3.00 a week; at present it is \$3.00 a week for the first two weeks, and \$5.00 a week after that for the next ten weeks, and then if there was a special grant it had to be specially considered and allowed; \$3.00 a week for another period of twelve weeks, the benefit going on twenty-four weeks in all.

Q.—But as to twelve of the weeks it was optional with the executive, I suppose, I mean to say how they would deal with any particular case? A.—Of the further application of the twelve weeks.

Q.—In other words, the forty cents per month, whatever the payment was, did not absolutely entitle the person who paid it to more than twelve weeks? A.—No, but in every instance where it was a genuine claim it was allowed and paid. It was only to protect the funds against members who soldiered.

Q.—Was that part of your benevolent enterprise financially advantageous to you? A.—Oh, yes.

Q.—You made money out of that? A.—Oh, yes.

Q.—Well then, the general fund, what was that? That was, I suppose, the expense fund? A.—The general fund was as you see, the amount allowed for management expenses and placed under the control of the executive.

Q.—What got into that besides the 5 per cent. of the mortuary fund?

A.—The extension of the order tax, charter fees, the registration certificate fees, the profit from the sale of supplies. Those are the chief items.

Q.—I do not remember any other, but I happen to remember the fund you told me about before, which for the moment I had forgotten to ask you about. That was the trifling contribution that was asked towards the Orphans' Home? A.—That does not come in.

Q.—That does not come in to the general fund? A.—No.

Q.—But when you told me that as a source of revenue, and I was getting them more in detail, I omitted to call your attention to that. I want you to tell me more about that? A.—The Orphans' Home tax is used—

Q.—In the first place what is the Orphans' Home? A.—It is an institution located at Foresters' Island,

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at which the orphans of deceased Foresters are to be maintained, clothed, fed and educated, and this tax is solely for the maintenance of that home.

Q.—And what is the tax? A.—One cent a month per member.

Q.—That is applicable all over the jurisdiction, or only in this country? A.—Oh, all over.

Q.—That is the member in India or Australia pays for the maintenance of the Orphans' Home at Foresters' Island? A.—Yes.

Q.—Foresters' Island is where? A.—Near Deseronto.

Q.—In the Thousand Islands? A.—No, in the Bay of Quinte.

Q.—Now, I will not ask you more about that just now, because I shall have to go more particularly into your transaction in respect of the home at a later stage. Then will you be good enough to tell me what are the principal sources of outgo or the principal items of outgo in connection with your general fund? A.—The salaries of the officers and employees, and the organizing work, I think, are the largest items.

Q.—The salaries and the organizing expenses? A.—Yes.

Q.—That has a very familiar ring to it. I think most of us here have heard about that before? A.—And of course the publication of "The Forester" was quite an item.

Q.—You have a pretty heavy salary list, which we will deal with a little more in detail; and your organization expenses have been enormous; is that too strong a word? A.—No, it is not too strong a word; and our order is getting enormous.

Q.—Then you commenced working on your organization—I will go back only to the date of your reorganization; you reorganized and were working after your reorganization under your Ontario certificate? A.—Oh, just for a few days.

Q.—In 1881? A.—We got a license under section 40, I think, the Benevolent Society's Act.

Q.—I say that after your reorganization, down to the time you got a Dominion statute, you worked under the Ontario Act? A.—Oh, no; we got a license also from the Dominion.

Q.—But not so early as that. You did not get your license as early as 1881? A.—I think so. It was on the 21st July, 1881.

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MR. HUNTER: It was a certificate of registration under the old Act of 1870.

WITNESS: We were speaking of the Ontario matter as a license, and this is of the same character.

MR. SHEPLEY: No, I called it a certificate, but that is not the correct name for it? A.—We got a certificate authorizing us to work in the Dominion, from the Dominion Government, immediately after the re-organization, I think it was the 21st, or 22nd, or 23rd July 1881.

Q.—Then you did not abandon your Ontario certificate at all? A.—No.

Q.—And I suppose you can tell me—I am not complaining at all, because no doubt this information was intended to be complete and accurate, but I have not been told in the answers that have been given me of that Dominion certificate? A.—I do not think it was ever thought of or referred to amongst us ourselves.

Q.—I am not blaming anybody, but I shall have to ask about it. A.—That is right. I shall give you the information, but that would account for its not having been sent to you.

MR. SHEPLEY: You will perhaps have somebody see that I get a little more information about that Dominion certificate.

MR. HUNTER: He is referring to the certificate of registration under the old exemption statute.

MR. SHEPLEY: I can get the information about that later on, but there is no use asking questions about it till I understand it.

WITNESS: We never did refer to it ourselves.

Q.—At all events you had the certificate under the Benevolent, Provident and other societies Act of the Province of Ontario? A.—Yes.

Q.—That provides for the incorporation of any five or more persons of full age for any benevolent or provident purpose, or for any other purpose not illegal, save and except the purpose of trade and business, and so on, and a declaration is produced to a Judge and he issues a certificate under it? A.—Yes.

Q.—And that was the class of certificate that you held? A.—Yes.

Q.—Had you availed yourselves in any way of the provisions of this Act enabling your branches also to be certificated? A.—No, I do not think so.

Q.—There was just the registration of your Supreme Court or the declaration and certificate?

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A.—No, the Provincial Act was the High Court of Ontario. The original Act was 1878, and the other was the High Court of Ontario.

Q.—There was a declaration, and incorporation of the Supreme Court under the Ontario Statute in 1881? A.—Yes.

Q.—What were the disadvantages under which you found the Order to labor while it was operating under these certificates or the certificate? A.—Well, we never actually experienced any difficulty, but it was suggested to us by lawyers that as we were growing so fast in the other provinces it would be well to secure a Dominion authority.

Q.—Because of your extension into other provinces? A.—Yes.

Q.—Then you had while operating under the Ontario certificate extended into the other provinces, and also had extended into the United States, had you not? A.—Oh yes.

Q.—Anywhere else? A.—No.

Q.—And you say you had grown very considerably? A.—Yes.

Q.—Had you experienced, or did you anticipate any difficulty under the Ontario law by reason of the restrictions upon your holding of real estate? A.—No.

Q.—You had not found any trouble arising upon that? A.—We had not any real estate to bother us.

Q.—You did not anticipate having any? A.—Well, I would not say that. I anticipated a great many things in those early days that the Order might have in the future.

Q.—But it was not so imminent as to cause you any embarrassment? A.—No.

Q.—Not even by anticipation? A.—No.

Q.—Then may I ask you about the other side of the question. Had you any difficulty by reason of the restrictions upon your powers of investment under the Ontario Act? A.—None whatever. We had not anything to invest in those days.

Q.—I am speaking now about the period say from 1881 to 1890 or 1892 or 1893. During all that time you were growing, and you had funds of course? A.—Yes, but I do not think we thought of it, and I do not think anybody bothered us.

Q.—I suppose you were investing as the Ontario Act permitted you to invest, and finding out you could invest all your funds satisfactorily without straying outside the permitted



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field? A.—My impression is that we invested without thought of anybody's authority; when we got the money to invest we loaned it and made some interest on it.

Q.—What you had a right to do apparently under one of those sections was to invest in public securities, municipal debentures, or other approved securities, not including mortgages on land? A.—Yes, I remember that now.

Q.—Were you investing in mortgages? A.—No, we invested in every other thing until we got power.

Q.—You restricted your investments to the investments which the statute prescribes? A.—Yes.

Q.—And you had no difficulty at all in investing all the funds you had to invest? A.—No.

Q.—So that that was not one of the reasons why you looked forward to getting Dominion authority? A.—No.

Q.—How long had you in your mind the obtaining of Dominion authority before you approached Parliament upon the subject? A.—A very short time. We came to the conclusion that to get Dominion authority would give us a prestige in the fraternal world.

Q.—And you lost no time? A.—And we took steps right away to get what we call the first Dominion Act passed through Parliament.

Q.—Did you have difficulty in getting the legislation at Ottawa that you desired, or do you remember? A.—Yes, I remember distinctly. Yes and no again would be my answer.

Q.—You had difficulty, but you surmounted it? A.—Difficulty in this way; that the proposition was opposed most fiercely by the old line companies or the Commercial Insurance Companies.

Q.—When you say Commercial Insurance Companies you mean— A.—The Confederation Life and so on, and the financial papers under their control wrote articles against us, fierce attacks.

Q.—I was not thinking so much of that opposition. Did you have difficulty with the powers? A.—No sir. There was some opposition.

Q.—Was the Insurance Department favorable? A.—Very much adverse to it.

Q.—That was what I was trying to get at. I do not care so much about the other opposition? A.—Oh they were fierce in opposition.

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Q.—The Insurance Department did not approve of the legislation you were seeking? A.—No.

Q.—I do not want to have it any other way than just as it is. You used the word "fierce?" A.—Yes.

Q.—The strongest possible representations were made against the policy that your legislation would involve? A.—Yes.

Q.—And from the insurance standpoint as it presented itself to the Department? A.—Possibly.

Q.—You say that with a reservation? A.—I do. I do not think they had any reason to oppose us.

Q.—But there may have been room for two opinions? A.—I do not know.

Q.—What was the ostensible ground of opposition? A.—Inadequacy of our rates.

Q.—If that ground existed it was not a fictitious or a factious opposition at all was it? A.—No, but it did not exist.

Q.—It did not exist? A.—Certainly not.

Q.—You changed your rates shortly afterwards? A.—Certainly.

Q.—You changed your rates just about that time? A.—Oh no.

MR. HUNTER: Nine years afterwards.

MR. SHEPLEY: You are quite right.

WITNESS: We accumulated two millions of a surplus under these in adequate rates.

Q.—I do not want to go into that just at this stage, so that we will deal with this other matter? A.—All right sir.

Q.—Do you remember whether the Bill you introduced went through in the form in which it was introduced or whether there were amendments? A.—No, it did not.

Q.—There were amendments? A.—Yes. We asked in the original bill, if my memory serves me, for power to deposit funds with the Government, and to have our operations inspected by the Government. Those had to be stricken out before the Bill could go through.

Q.—This document is given to me as a copy of the Bill as it was introduced. Who had charge of the Bill as originally introduced, what member? A.—He is Judge Jamieson now.

Q.—Where is he? A.—In Guelph. He was member of Parliament for Almonte.

Q.—Let us look at the Bill as you introduced it? The preamble of the

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Bill is that "Whereas the persons hereinafter named have by their petition prayed to be incorporated under the name of the Supreme Court of the Independent Foresters," and so on. Then a great number of names are given, commencing with your own name. (Reads from Bill which will be found in Exhibit 33.)

Q.—Did you get that power do you recollect—the power to enable your subordinate and High Court and your royal encampments to become incorporated?

MR. HUNTER: Yes, that stands.

MR. SHEPLEY: Q.—Then I see you were limited as to the real property which you might hold in this way: "The value of the real property which the society or any branch thereof may hold shall not exceed in the case of the society \$100,000, and in the case of any branch \$25,000, but in towns having less than 6,000 inhabitants the value of such property in the case of any one branch shall not exceed \$5,000, and the society may by by-law determine the manner in which such real estate may be held," and so on. Did that pass in those terms?

MR. HUNTER: Yes.

MR. SHEPLEY: Then there is a provision as to what property is to be liable for the debts and engagements of each branch, and then there is a provision as to investments: "The surplus funds of the society shall be invested on mortgages which are a first charge." (Reads section.) Then on dissolution the property of any branch is to be vested in the society. Then comes section 8 which seems to have caused some discussion, and seems to require some explanation: "There shall be printed in legible type and in red ink upon every policy hereafter issued by this society, and upon every application therefor, and receipt, the following words: The insurance undertaken by this society comes under section 33," etc. (Reads down to the words "and is not subject to Government inspection.") You remember that provision? A.—Yes.

Q.—That refers to chapter 124 of the revision of 1886, Canada. If we can have the Act as submitted in the morning we shall be obliged? A.—I have a copy of it and will bring it in the morning.

Q.—There is a group of sections in the Dominion Insurance Act then in force, section 36 to section 42 inclusive, which makes provision in respect

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to certain companies doing business upon the assessment plan? A.—Yes.

Q.—Section 43 to which your Bill refers, reads: "Nothing in this Act contained shall apply to any society or association of persons for fraternal, benevolent or religious purposes," etc. (Reads section.) Your Order was not doing business upon the assessment plan? A.—No.

Q.—That was the view that was held by the Insurance Department? A.—Yes.

Q.—You did not agree with it? A.—Certainly not.

Q.—You thought your premiums were the equivalent of assessments? A.—No, the point of difference was that they stuck us into assessment companies instead of into fraternal organizations.

Q.—Let us see exactly what they did. The group of sections dealing with assessment companies is said not to apply to companies whose purposes are the insurance of the lives of the members thereof exclusively, where those companies are not fraternal, benevolent, industrial, or religious purposes? A.—Quite so.

Q.—Then the second sub-section is: "Any society or association which is declared to be exempt from the provisions of this Act," etc. (Reads section.)? A.—Quite so.

Q.—That is if an application were made by an assessment company to be included in that, it would cease to be exempt if the petition were granted, and would fall within the Act. Do you so understand it? A.—I quite understand it—yes, I understand that we ceased to be exempt from the requirement of the Act, but we do not cease to be a fraternal benefit society.

Q.—You do not cease to be a fraternal benefit society? A.—No.

Q.—But you cease to be exempt from the provisions of the Act? A.—Yes.

Q.—And in that way the Act would be made to apply to it? A.—That is right.

Q.—You were probably aware at the time, perhaps you remember it still, that the Chairman of the Banking and Commerce Committee, who was Mr. Hall— A.—Yes.

Q.—Was memorialized upon the subject by the Department of Insurance? A.—Yes

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Q.—And perhaps you remember something about the memorial itself, and you will perhaps recognize it if I read it to you? A.—Possibly.

Q.—You remember the circumstances? A.—Oh, I remember the circumstances.

Q.—The memorial or memorandum or report is dated 16th March, 1889, and states, "Since the Bill to incorporate the above mentioned society was introduced I have given much consideration to the questions which arise thereunder and in dealing with the matter it seems to me the following consideration should not be lost sight of." We will see to what extent you complain of the inaccuracy of this? A.—Yes.

Q.—"First the society is undoubtedly an insurance company." That is right is it not? A.—Yes.

Q.—"And while it is possible it may come within the letter of the provisions contained in section 43 of the Insurance Act it seems to me to be almost certain it does not come within the spirit or intention thereof." That you do not agree with? A.—No.

Q.—You wholly dissent? A.—Yes.

Q.—"And I take it that section was intended to apply only to a society where the insurance was only an incident and not the main object of the society, and was probably never intended to apply to insurance," etc. (Reads paragraph.) That you would not agree with? A.—No, I think there is nothing in the Act to justify such a proposition. As a matter of fact the Act deals with fraternal benefit societies.

Q.—With that exception you agree that as to companies other than assessment companies a certain standard has been adopted? A.—Yes, but I do not agree with the statement that there are only two classes of insurance companies that are dealt with in the Act because there is a special section there for fraternal societies.

Q.—"The Government being asked to incorporate this society"—(Reads.) I suppose you would agree with that? A.—Well yes.

Q.—I will not quarrel with you at all about your policy, but it was your policy to get the endorsement of Parliament by this Act? A.—Yes, so that our business in other provinces would not be called in question.

Q.—And so that you might have whatever benefit the imprimatur of

Dominion incorporation might put upon you? A.—Yes.

Q.—The fourth paragraph reads: "It seems to me to be unquestionable." (Reads paragraph.) You would not quarrel with that? A.—It just depends what its standard is for. I claim the Government standard for insurance companies is entirely too high for fraternal benefit societies, who can do business and have done business at much less expense than the old line companies.

Q.—Would you quarrel with that—I won't say quarrel, because that is not the way you get your own way by quarrelling? A.—I never quarrel.

Q.—You get your own way in other ways, but would you differ from this general statement that any society which goes to the public bearing the Government stamp should come up to the Government standard. Is that not as a pleasing generality something that you could subscribe to? A.—I do not know that there is much objection to it. I would rather not be called upon to subscribe to it. I think if I was asked to endorse that statement I would reserve it for further consideration.

Q.—The Government standard may be all wrong? A.—Yes.

Q.—But that is a matter for Parliament? A.—Yes.

Q.—And so long as there is a Government standard the administration should live up to it? A.—Yes.

MR. HUNTER: But there is on Government standard for fraternal societies?

MR. SHEPLEY: I have called it a pleasing generality.

Q.—Then section 5 says, "It is admitted that this Society takes from each of its policyholders an assessment." (Reads.) That is true? A.—No, it is not true. It is modified in a sense by what we call our safety clause, where we are empowered to call for extra assessment wherever we have not money to meet our obligations.

Q.—Where is that clause? In your constitution? A.—Yes.

Q.—That is not in the certificate of incorporation under which you are dealing. I do not mean to say you had not power to pass such a by-law, but it is found in the by-laws which you passed, and not in the certificate which the Ontario Government granted you? A.—No, there is nothing in the certificate of any Government



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about that, but you must bear in mind that since then the Dominion Government has practically said that our laws are binding and good in the country, and therefore that safety clause is binding and can be enforced.

Q.—You are referring to the clause enabling you to make a special assessment if for any reason it is necessary for you to do so? A.—No, it is just for the one reason, that we have not money to pay the benefits arising.

Q.—That is section 157 of the constitution and laws of the Independent Orders of Foresters? A.—Yes.

Q.—As they exist now, or as they existed then, or have always existed? A.—They have always been that way.

Q.—Was that there in 1889? A.—Yes.

Q.—“Whenever and so often as the available funds in the mortuary department.” (Reads.) That is the safety clause to which you refer? A.—Yes. I remember it was in existence, because I referred to it before the Banking and Commerce Committee when our Bill was up before the House.

Q.—This safety clause is to come into operation as it was in 1889 on the copy Mr. Hunter handed me, which is section 255 of the law then in force? A.—These have been re-numbered.

Q.—“Whenever there are no available funds to pay the endowments or other benefits of the Order the Executive Council shall order a special assessment?” A.—Yes.

Q.—That was the form it was in then? A.—Yes. And this new form was actually revised for us by the Treasury Board, and we adopted it.

Q.—In 1896 revised for you by the Treasury Board? A.—Yes.

Q.—You observe that in order to bring this special assessment law into force there must be no available funds to pay? A.—Yes.

Q.—That is your surplus must all be gone? A.—Yes. We would not want it till the surplus was gone.

Q.—Does it strike you there is any force at all in the suggestion that your safety clause won't save your Order very much having gone so bad that its surplus is all gone? A.—The safety clause will enable us to pay claims down to the end of time.

Q.—So long as there are members? A.—Yes.

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Q.—I have just read you the clause saying that it is admitted that this society takes from each of its members an assessment which remains the same throughout life. You say that is true so far as it goes, but it does not go far enough because it does not give a place to your safety fund? A.—Quite so.

Q.—There are no assessments upon the death of a member? A.—That is quite correct.

Q.—He should have added “unless the surplus fund has disappeared”? A.—Yes.

Q.—But there is a provision contained in section 198 of the constitution that provides wherever, by reason of an excessive mortality there are no available funds, that there should be a special assessment—is that it? A.—Yes.

Q.—“The point is the same in any one of those three forms” (reads). You did so contend? A.—Yes.

Q.—And therefore that you never would want to use the safety clause? A.—Yes, and I believe it yet according to the present rates.

Q.—If you never use the safety clause then there would be no special assessment on the death of a member? A.—Certainly not.

Q.—And therefore the statement here that the society takes from each of its members a certain fixed monthly premium, which remains the same throughout life is fairly accurate? A.—Yes, except I do not want to have that statement made and have me endorse it, when we have the possibility of having that increased by a special assessment.

Q.—“The meaning of the words ‘excessive mortality’ is not quite clear.” A.—I think that is quite right—that there never will be any assessment.

Q.—He does not say that. He says it is contended on your part that there never will be any. A.—I see.

Q.—Then the next paragraph reads: “It seems to me doubtful whether under this clause the society could legally levy” (reads). That is true? A.—Yes.

Q.—“According to the standard before referred to.” Is that objectionable according to your way of thinking? A.—I do not think it is objectionable from his standpoint.

Q.—Will you go further and say it is objectionable according to your standpoint? A.—Just read that again.

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Q.—“The society in the past has both upon its form of contract and manner of collecting premiums been doing business on the level premium plan” (reads). A.—That is exactly where I differed, and where I differ yet. No consideration of the rates of the I. O. F. can be intelligibly given without consideration of the safety clause, taking that into the factor affecting the premium rates of the I. O. F. He says that safety clause is of no effect.

Q.—There being a general law applicable to all level premium companies, do you think a level premium company ought to escape that law by passing a safety clause? A.—No, I do not, because they are constituted upon an entirely different basis. I do think every fraternal society ought to be required to have that safety clause in its constitution.

Q.—That is a little away from what I was asking; what you would say, as I understand it, is this, that although you may apply the level premium requirement to all plain straight level premium companies, you should not apply them to the fraternal company which does its business on a level premium plan? A.—Certainly not.

Q.—Why not? A.—The level premium companies include a certain amount for surrender value of their policies. The fraternal societies do not give surrender values, and therefore to construct a table applicable to both systems would be simply inaccurate on one side or the other.

Q.—We can put your view in a nut shell in this way. The fact of the level premium is not by itself decisive? A.—No.

Q.—You must take other elements into consideration? A.—Yes.

(The Commission then adjourned to 10.30 a.m. tomorrow.)

# SIXTY-SEVENTH DAY.

Toronto, 14th September, 1906.

## INDEPENDENT ORDER OF FORESTERS.

Examination of DR. ORONHYATEKHA by MR. SHEPLEY (continued.)

WITNESS: I was about to ask you last evening, Mr. Shepley, if you would allow me to put in this state-

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ment of the actuary of the Government relating to the future course of the Independent Order of Foresters at the time we applied for incorporation, because it is evidently on part of this evidence, or rather information, that the Superintendent was so much opposed to our incorporation, and if this were true I would not have blamed him for opposing it.

Q.—I do not at all find fault with anything that is relevant being made part of the record. This, you tell me, is a statement by the Superintendent of Insurance, Mr. Fitzgerald, of the reasons why the Independent Order of Foresters should not have the powers granted them by Parliament. A.—Quite so.

Q.—That is what you were speaking of? A.—Yes.

Q.—You spoke of the report of the actuary? You mean Mr. Fitzgerald? A.—No, Mr. Blackadar. Mr. Fitzgerald is not an actuary. It is at the end of this document. It is just this table I would like to have in.

Q.—We will put the whole paper in, if you please, and when I have examined it a little more carefully perhaps we will have some further reference to it. A.—Yes.

Q.—But that shall certainly go in and make part of the record? A.—Yes. You see, according to this table, in 1906 we would have \$2,475,000 of a surplus, according to that calculation—

Q.—And as a matter of fact you have a very much larger surplus? A.—We have \$10,300,000. And are adding a million every year thereto, and in 1910, according to this, we will have \$173,000—

Q.—Of surplus? A.—Less than nothing.

Q.—That would be a minus quantity? A.—Yes.

Q.—You would be that much behind? A.—Yes.

Q.—And 1910 has not come yet? A.—No, and when it comes we will have a great deal more money than that. It shows that the information given by the actuaries in relation to the I. O. F. was not correct.

Q.—I recognize the table now. Then, because we will examine this a little more in detail later on, I shall pass it by for the present, with one question; there is also a statement in the actuary's figures of what may be expected to be the rate per thousand of insurance of your surplus? A.—Yes.

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Q.—How has that been borne out?  
A.—It has been wholly incorrect.

Q.—It has been pretty well borne out in fact? A.—No, sir.

Q.—Then I will pass that by, because this is not the time when I want to go into controversial matters?  
A.—Well, I thought I would ask you to put that in.

Q.—Certainly it will go in. (Exhibit 445.) Then you have been good enough to bring me a copy of the Bill that was introduced— A.—By us?

Q.—It was introduced on behalf of your body? A.—Yes.

Q.—And we may make such comparisons between that and the Bill actually passed as the circumstances warrant. What are the features in this Bill? Tell me that before we go on with what we were doing last night. What are the particular distinct features in this Bill which were rejected in the Act of Parliament that was passed? A.—The authority to deposit funds with the Insurance Department, and to be inspected by the Insurance Department—our business to be inspected; we asked that our business be inspected by the Insurance Department and that we be allowed to make a deposit with the Government and these were stricken out of the Bill before it passed.

Q.—Those are the distinctive features, of the omission of which you thought you had ground of complaint? A.—There were some other little things but those were the principal things stricken out.

Q.—There were other matters of detail but those were the principal matters? A.—Yes.

Q.—Then, do you attribute the rejection of those features by Parliament to the remonstrance of the Department? A.—No, sir.

Q.—To what do you attribute the rejection of those features? A.—We attributed it to the objections of the old line managers, representatives of the old line companies. I understood it was said, if those sections of our Bill went through we would look too much like an old line company, being allowed to deposit funds and being inspected; that is, it would give us a great advantage, while we had no legal reserve as they were compelled to have.

Q.—Those objections seemed to be framed upon the same basis, or a similar basis to the objections we were discussing yesterday in the report of Mr. Fitzgerald.

Q.—But you are not inclined to think that the remonstrance of Mr. Fitzgerald was so effective as the remonstrance of the old line companies? Is that right? A.—Well, I think we could have carried the Bill through with them, with those sections in it, through the House—

Q.—But for what? A.—But when I was assured that if I withdrew those sections the opposition would be withdrawn, why it did not hurt us to withdraw the sections, and we got our Bill through pretty easily.

Q.—We will go on with this memorandum because I look upon this discussion as material. We had got through the first sub-paragraph of paragraph five of Mr. Fitzgerald's report, and I come to the next sub-paragraph—"the rates of the Society are acknowledged to be very much less than the rates required by the Government standard, due allowance being made for the expense element, which is certainly in the Foresters reduced to a minimum." How do you say as to that? A.—That is all right.

Q.—"It is asserted by the Chief Ranger that the rates are founded on certain mortality tables, but the persons who formed the tables for the Society appear to have fallen into the error of supposing that a premium which was intended to carry a risk for one year was sufficient to carry it throughout life." What do you say to that? A.—I say this: that we had a great deal of justification in imagining—put it that way—that those rates would carry the Foresters' throughout life.

Q.—What I wanted to get at was this. Is that, as a statement of fact, objectionable to you? A.—What is it?

Q.—That is that the tables are founded upon the supposition that a premium intended to carry a risk for one year was sufficient to carry it through life? A.—Oh yes.

Q.—That is right? A.—That is correct.

Q.—That is correct as a statement of fact? A.—Yes. And as a matter of fact those rates are carrying our members down to the present day. What I mean is that those of our members who have been paying those rates—in 1905 we got a surplus from their premium rate of nearly a quarter of a million.

Q.—Then that is a matter which will fall to be discussed later? A.—It brings out the facts that so far



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as the rates are concerned they are sufficient at the present time.

Q.—I won't discuss that with you now, we shall have to discuss that further? A.—Yes.

Q.—At all events that, if it be a fallacy, an insurance fallacy, did in fact exist; that is the premium was based upon the assumption that a premium for a year was sufficient to carry through life? A.—Yes.

Q.—Then the memorandum proceeds, "it is also asserted that a large revenue is derived from lapses, sufficient to compensate for the deficiency in the rates." I think you will not say anything to the contrary of that; that was your contention? A.—Yes, and it was so.

Q.—"And if this be the case then the funds so derived in the past must be in the Treasury, and the Society need not hesitate to have their liability under their policies or endowment certificate submitted to a valuation." You would not accept that result? A.—Well, if the valuation was based upon the lines that we say ought to be applied to fraternal societies we certainly have no objections to it.

Q.—If for the purpose of insurance of the class your body was giving, if for the purpose of establishing a reserve a different basis were adopted you would be satisfied? A.—Certainly.

Q.—Take your time and do not hurry? A.—It is just on the point to show there is large profit on the lapses, which is thrown back by us into the fund, and therefore had the effect of enabling us to meet our obligation with a much less premium rate than if we had used the lapses to pay surrender values and dividends.

Q.—I understood you quite to make that point yesterday, and I am not at all controverting that for the present. The memorandum proceeds "It is very reasonably clear that it is only among the younger lives that there are any lapses." Is that true? A.—Well, there are less—yes, there are less lapses among the older members who have had their policies for years.

Q.—"And I am convinced that the revenue derived from this source is much less than is supposed by the officers of the Association, and I am also quite satisfied that the Society does not possess the revenue which the Government desires of companies doing a class of business which this

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company is doing—that is the level premium business." That you do not controvert at all, assuming his premises are correct, and that you ought to be put upon the same footing as other companies? A.—No. the amount required of us is just simply enough money to pay the claims as they accrue. The amount of money required by the old line companies is very much greater, I think almost double that amount.

Q.—That involved, from your standpoint, the same policy we were discussing yesterday on the part of the Superintendent? A.—Yes.

Q.—I do not want to go over it again, because you made that very clear yesterday. "The Society is now, I understand, asking for incorporation simply. The Society does not desire, or rather wishes to avoid inspection and compliance with the provisions of the Insurance Act." You did not want inspection, I think? A.—That was not a fair statement.

Q.—You did want inspection? A.—We wanted inspection all the time and every time.

Q.—But you did not want to comply— A.—But when we found we could not get incorporation without a big fight, if we insisted upon getting inspection and the right of deposit—what we wanted, as he says here, incorporation pure and simple—we abandoned those other points in order to enable us to get our incorporation easier. We always wanted incorporation.

Q.—I have not gathered that before. But if it is so I want to know it. I take it from what you have just said that this memorandum was directed by your Bill with those features in it; is that right? A.—I do not know whether he intended to direct—he could not very well say these things unless it was in the Bill as presented.

Q.—The Bill as presented you have told me, involved inspection? A.—Certainly.

Q.—What he says here is, "The Society does not desire, or rather wishes to avoid inspection?" A.—That is untrue. That is the reason I said it was an unfair statement.

Q.—I understand what you mean by that. "Inspection and compliance with the provisions of the Insurance Act." That involves the same questions we were discussing yesterday? A.—Yes.

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Q.—You did not want to comply with those provisions of the Act which were obligatory upon level premium companies? A.—You say we did not want to.

Q.—Yes? A.—Yes, we did.

Q.—You did not want to maintain a reserve? A.—No, we did not because that was not required for fraternal societies.

Q.—“A fair view of the matter seems to be that if the Society comes up to the Government requirements it should come under the Insurance Act, and if it does not it should not seek Government recognition by incorporation or otherwise.” That, again, I suppose, is a matter— A.—I do not think that is correct at all. I do not see why we are entitled to incorporation when we are doing a legitimate business, but not under the style of the old line companies. We were trying to create a new system of insurance which would give insurance to the poorer people at a much less cost than they could get it in the existing system.

Q.—Your system was not reconcilable with the Government standard as it stood? A.—Certainly, simply because the system was wholly different.

Q.—In other words those provisions of the Act to which you have referred, the general Act, were not applicable in your view, to your Society? A.—No.

Q.—“The Society also claims that it is doing business under conditions much the same as the Provincial Provident Institution which is registered under the Insurance Act, and that this Society should be permitted to do business as an assessment Society.” Were you making that contention? A.—No.

Q.—You did not make that contention? A.—No.

Q.—“As to this it is worthy of note that the Provincial Provident has always done an assessment business.” (Reads paragraph down to the words “the latter requiring, as the former does not, a reserve.”) A.—That statement ought to be taken in connection with our safety clause, a level premium business modified by an assessment power, which makes a very great deal of difference.

Q.—You have the level premium plus your safety clause? A.—Exactly.

Q.—You are not, as I gather from what you say, contending that you

were upon the footing of assessment companies? A.—No.

Q.—Then the memorandum proceeds. “In all registered assessment companies doing business in Canada the following clause is contained in the contract.” Then he sets out the clause, “The company agrees to pay blank dollars,” etc. (Reads down to “ordinary insurance companies.”) A.—You will note that while he contends we are a level premium company he compels us to print in all our documents the words “assessment system.”

Q.—He requires you to print the words “the assessment system” on all your documents? A.—Yes, everything, even on our advertisements we have to print “assessment system” and in the policy, and yet in this document he contends right through, as you know, that we were not an assessment company.

Q.—Do you mean to say that the Superintendent required any more than the Statute called for. That is what the Statute required, “the insurance undertaken by this Society comes under the exception contained in Section 43 of the Insurance Act applicable to fraternal and benevolent associations, and is not subject to Government inspection.” That is the clause the Statute authorized the Inspector to insist upon.

MR. HUNTER: Read from the Act of 1896, Section 8.

MR. SHEPLEY: We have not come to that yet. Let me see if it is pertinent to the present inquiry. I would rather take this up when I come to it.

Q.—May I have that modified if you feel that you can modify it, by saying that it was not till 1896 that there was any requirement put upon you of that kind, that under the legislation of 1889— A.—The original incorporation?

Q.—Yes. A.—Sure.

Q.—Then we will have it so modified upon the notes? A.—Yes.

Q.—“If the Society was now asking for permission to do business for the first time there would not be any insurmountable obstacle to prevent registering it and preventing it doing business on the assessment system.” (Reads down to the words “under existing contracts.”) Do you make any comment on that at all? A.—No.

Q.—Then comes the 6th paragraph of the memorandum, “No company

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organized for the purpose of insurance since my connection with the Department nor indeed, I believe, for several years previous, has been granted insurance except upon complying with the conditions of the present law." That is a statement of fact. A.—Yes, it did not apply to us. We were a fraternal society.

Q.—The Departmental system under the Insurance Act was not elastic enough to accommodate itself to your order? A.—No.

Q.—Paragraph 7 reads, "there seems no sufficient reason, so far as I am able to judge, why an exception should be made in favor of the Foresters" (reads.) Then paragraph 8, "for the reasons briefly indicated above." (Reads down to the words "not to be applicable to this Society.") That did not eventuate and the Bill was left in the form in which you see it. Then there is just a final clause which I read to make it complete—"In the event of the committee being of the opinion that the Society should not be compelled to comply with the provisions of the Insurance Act, then I beg respectfully to submit that some other conditions, equally effective, should be imposed as a condition of incorporation." Then you got your Act of that year in the form in which we find it. A.—Yes.

Q.—And you were satisfied, I take it, to have the Act in that form, rather than not have it at all? A.—Yes, that is so.

Q.—Are you familiar with some controversy that arose two years later in 1891 with the Department? A.—What was it?

Q.—On the subject of the Department issuing a certain certificate. There is some correspondence between Mr. McGillivray and the Department? A.—I dare say. If you would mention the subject I could recall it. Was it with reference to giving a certificate by a fraternal benefit society?

Q.—Yes. A.—Yes, I am familiar with that.

Q.—I see that on the 12th May, 1891, Mr. Fitzgerald addressed a communication to the Hon. Mr. Foster, who was then a minister? A.—Yes.

Q.—He said, "Dear Mr. Foster, I have read McGillivray's letter and the form of certificate which he has to have signed by me, namely 'I do hereby certify that I am Dominion official charged with the insurance

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law," and so on. (Reads letter.) A.—Yes.

Q.—You remember that letter? A.—Yes.

Q.—What was the occasion that gave rise to this correspondence? A.—In some of the States the Insurance Commissioners claimed that we were not a recognized fraternal society in Canada, and we wanted to get this certificate from Mr. Fitzgerald to show that we were a fraternal benefit society, and I understood that at that time Mr. Fitzgerald refused to give a certificate.

Q.—What is this reference to the laws of the State of Illinois? A.—There were reciprocal clauses that were existing in some of the States.

(MR. HUNTER confers with the Witness.)

WITNESS: Mr. Hunter makes a suggestion to me, but I am quite sure I am right.

Q.—Just read the certificate first before you make up your mind. (Witness reads certificate.)

Q.—Explain that to us. A.—In certain States they would not admit any foreign society; that is any society organized in another State or Province in which the Illinois Corporation were not permitted to do business. We had a law in Ontario not permitting any fraternal societies, even if they were organized in Canada to do business after a certain period. It was not directed against the Societies in the States any more than the Societies in Canada, and the Legislatures of some of the States after a time began to pass acts requiring that, for instance ourselves in Canada, before we should get admission into their States we must show that incorporations—

Q.—That their societies would be admitted to do business in Canada? A.—Yes.

Q.—Then the purpose that the certificate was to serve was to open the door to you in the State of Illinois? A.—Yes. There may have been other States in which we had to meet the difficulty.

Q.—The State of Illinois was applying the principle of retaliation to the Dominion of Canada? A.—Yes.

Q.—Then the method that you were seeking to adopt was to have a certificate issued by the Dominion Insurance Department stating that Illinois companies or Illinois bodies of a fraternal character like yourselves,



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would be admitted to do business in Canada? A.—Quite so.

Q.—That was not so as a matter of law, was it? A.—Oh yes, under section 40 of the Insurance Act.

Q.—Of the Dominion Insurance Act? A.—Yes. Any Canadian territory was thrown practically open to everybody.

Q.—Let us have the section? A.—It is section 43.

Q.—“Nothing in this Act contained shall apply to any society or association of persons.” You say that does not exclude foreign corporations? A.—Anybody.

Q.—That would be your idea? A.—Anybody could come in, and it was only Ontario that had the exclusive act.

Q.—You perhaps are not familiar with the argument which is sometimes made, that that does not include foreign companies, but only includes domestic companies.

MR. HUNTER: The Interpretation clause shows it? A.—Lawyers will argue a great many things. I know as a matter of fact that certain fraternal societies have been admitted to do business in Canada under that section—at least nobody interfered with them. They came in and did business.

Q.—And they were not interfered with? A.—No.

Q.—Then the letter to Mr. Foster goes on—“Mr. McGillivray does not wish to give the title of the Act which he wishes to have inserted in the above certificate.” (Reads down to the words “would not then be an accurate or truthful one.”) A.—Yes.

Q.—“Our statute has two interpretations.” (Reads down to the words “are made subject to the provisions of the Act.”) Would you agree with that? A.—Yes.

Q.—“Some societies or organizations mentioned in the proposed certificate may come under section 43.” (Reads.) A.—I would call attention to that admission there that my view was correct.

Q.—Yes, it is quite proper for you to mention that. “The Illinois Statute does not recognize.” (Reads down to the words “to the full limit named therein.”) Do you find any fault with that? A.—No.

Q.—“In fact the laws are so dissimilar.” (Reads down to the words “lead to trouble hereafter.”) Do you make any comment upon that? A.—Except that in our Act which specifically gives permission to give in-

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surance benefits, it does not describe how the moneys should be collected. I mean it does not say. It must be upon the assessment system, and the tendency of the letter is to say that it is not so, that insurance cannot be given, that societies which we license or give certificates to do not give insurance benefit—simply accident and disability.

Q.—I do not think he puts it quite so narrowly as that. He says the Illinois statute relates to permanent or total disability benefits? A.—Yes, but not to insurance.

Q.—Yes? A.—But the Act does say that they may give insurance—our provident societies. The only limitation is that they must not give it to everybody—simply for their own members.

Q.—“Permit me in conclusion to refer to the terms of Mr. McGillivray’s letter”—perhaps we need not go into that. Mr. Fitzgerald was there representing the tone of Mr. McGillivray’s letter. Now were you aware that in the same year an opinion was taken from the Department of Justice? A.—I think so. I have a recollection of feeling that some of these things were wrong as given by the Insurance Department, and should be corrected, and we asked that the Department of Justice should be asked to express some opinion.

Q.—That was at your instance? A.—Yes, I have a recollection of it.

Q.—You say that it was at the instance of your society that the opinion of the Department of Justice was taken? A.—I think so. I have a very faint recollection of the transaction.

Q.—Do you remember the exact subject upon which it was— A.—I do not.

Q.—Then do you remember that there was a ruling of the Treasury Board upon the subject which the opinion of the Minister of Justice covered? A.—I have some recollection of reading it up. I could not give you the details.

Q.—Let me pass over the opinion for the moment, and come to the minute of the Treasury Board. That will probably stimulate your memory. A.—It is just possible this opinion may have been obtained at the instance of the Insurance Department.

Q.—The opinion is the 23rd December, 1901, while the opinion of the Treasury Board is on the 28th March, 1892, three months later? A.—Yes.

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Q.—“The Board had under consideration a memorandum”—(Reads down to “36 to 42 of the Insurance Act.”) Does that bring it to your recollection? Do you remember that there was a time at which you made a definite application to be registered as an assessment company? A.—I do not, but if that is the regular course it must be.

Q.—“The Superintendent of Insurance states that in accordance with the requirements of section 10 of the Insurance Act”—that is your Act of Incorporation—“The society on the 1st of June, 1899 filed”—(Reads). Let us turn to section 10 and see exactly what the requirement was. That section provides that within three months of the coming into force of this Act—(Reads section). Then the letter proceeds, “That by the terms of the policy” (Reads). A.—Yes, that is right.

Q.—“The Superintendent of Insurance for reasons set forth in his memorandum states” (Reads.) “What is known as an ordinary or level premium company, and he is therefore of opinion it is not an assessment company under sections 36 to 42 of the Insurance Act.” Does that bring it to your recollection? A.—Yes.

Q.—“There shall be printed in legible type and red ink” (Reads). “That when incorporation was granted to the society it was one of the terms of such incorporation” (reads down to “application of the above society.”) Do you recollect that ruling? A.—Yes, I think I can give now the reason why we made the application. It was to get inspected and be permitted to make deposits. That was another method to obtain the object which was refused us at incorporation.

Q.—You were still seeking to get in a somewhat different form the benefit of the provisions which had been rejected in 1889? A.—Yes.

Q.—Then I want to make the record complete, and I will read very rapidly the opinion of the Department of Justice. “I have the honor to return herewith the papers referred to the Department” (Reads down to the words “essential to such societies and associations.”) Do you know what is referred to there? You were listening were you not? A.—Yes.

Q.—He says “were it otherwise”—that is where the Government not concluded by the terms of section 43 from making the contention—“there must be some considerable reason to sup-

pose that the Court does not, or does not otherwise than colorably, possess the features essential to such societies and associations.” What features was he referring to? A.—We did not possess the features of an old line company.

Q.—Then he sets out the sub-section of the statute upon which he bases his contention. “The Minister of Justice is of the opinion that for the following, among other reasons this claim must be disallowed, and that it would not be proper to admit the Court to registration. The fourth section, prohibits”—(Reads down to “except as is thereafter in the Act provided.”) That is a section we have not yet referred to. That is an express prohibition of doing insurance, business in Canada without a license. Then he deals with the group of sections, and we need not go through that. “The company doing business under this Act”—(Reads down to “letter or spirit of these sections.”) What comment would you make upon that? A.—Nothing.

Q.—Would you agree with it? A.—I think so.

Q.—“It is pertinent to the question under consideration to refer to the report of the Superintendent under section 190.” (Reads). That is signed by the then Deputy Minister of Justice, Mr. Sedgwick. I think you said you were aware of that opinion? A.—Yes.

Q.—Did that put an end to the efforts that your society made to get back the old provisions which had been rejected in 1889? A.—I do not think so.

Q.—You do not think it did? A.—No. I do not think that had any consideration with us.

Q.—You were not even convinced against your will? A.—It would be hard to do that.

Q.—At all events you remained of the same opinion? A.—Yes. Nothing in this shows that our system is wrong.

Q.—It only shows from your standpoint that the statute is defective? A.—That is quite right.

Q.—The statute won't accommodate itself to your system, and your system does not— A.—We should have statutes recognizing fraternal benefit societies, and laws applicable to them. At present we have not.

Q.—Can you tell me how soon after this you took up the matter with the

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Department or in Parliament? A.—Not until 1895.

Q.—And in 1895 you had a Bill introduced in the House of Commons? A.—Yes. And my recollection is that we got it introduced so late that we could not get it through the Senate, and then we re-introduced the Bill the next year, 1896, and got it through.

Q.—I am not going to take up time with anything but the final result, unless there was some difference, but the Bill as you finally got it passed in 1896 differed substantially from the Bill that you had introduced in 1895? A.—No.

Q.—You do not think there was any substantial variation? A.—No.

Q.—Were you opposed again? A.—Well, yes, but in modified form.

Q.—What do you mean by "in a modified form"? A.—We had no insurance companies representative in Parliament before the Banking and Commerce Committee opposing the Bill.

Q.—How was that? A.—I presume they had sense enough to know it was a useless fight.

Q.—There were no other considerations appealing to them that you were aware of? A.—No, I do not think so.

Q.—They had not been induced to stay away? A.—No.

Q.—And to withhold opposition? A.—Not by us at any rate.

Q.—You know of nothing of that kind? A.—No.

Q.—What was the attitude of the Department of Insurance towards your legislation? A.—Opposed.

Q.—They opposed it? A.—But not quite so strongly, not fiercely as I said before.

Q.—You would not use the word fierce as to what took place in 1896? A.—No.

Q.—We will just look at your Act of 1896 and see what changes were brought about in your body by that?

A.—Mr. Hunter brings to my memory that my mind must have been reverting to the next amendment, but these amendments were opposed by the old line companies. As a matter of fact three representatives of the old line companies were present lobbying against our Bill.

Q.—And how many representatives had you lobbying for it? A.—Myself and Mr. McGillivray were the only ones.

Q.—And Mr. Hunter? A.—Oh no—oh I think I had Mr. Hunter—

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MR. HUNTER: That was in 1896.

WITNESS: No, I think it was only myself and Mr. McGillivray and we had Mr. Laidlaw.

MR. TILLEY: Q.—You think it proper to modify your statement that there was no substantial opposition, because you think there was? A.—From the old line companies. That was at a subsequent stage.

Q.—But there was opposition? A.—Oh yes.

Q.—The first provision that I notice in the Act of 1896 relates to your power to hold real property? A.—Yes.

Q.—The society was allowed to hold property to the extent of \$350,000, and in the case of any branch \$25,000, except Toronto, where each branch may hold real property to the value of \$10,000 and no more. Then there is the provision about towns having less than 6,000 inhabitants. What was the purpose of that amendment to your power? A.—We wanted to cover, to get authority to hold our Temple Building, which we were erecting.

Q.—Had you at that time commenced building it? A.—Yes.

Q.—And that is another matter we will deal with more in detail later on, but it was by reason of that that you sought that additional power? A.—Yes.

Q.—Then the next provision is cognate to that, and we will not touch it. Then the third clause of the Act, "notwithstanding anything contained in the said Act, the society may invest or deposit such portion of its funds in such Government securities as is necessary for the maintenance of any branch outside of the Dominion of Canada, but at no time shall more than one-fourth of the available surplus funds of the Association be invested outside of Canada." What was the purpose of that? What was the cause of that? A.—We were preparing in case any of the States authorities would call from us a deposit precedent to getting a license, as well as any other countries.

Q.—You had been at that time and for some time prior to that actively pushing your organization in the United States? A.—Yes, that applied to other foreign countries as well.

Q.—At that time— A.—Well we were contemplating and preparing, in order to do that.



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Q.—I have not the date at my fingers' ends, but it seems to me you had not actually extended it elsewhere than in the United States at the time? A.—Over in England, but we did not regard that as a foreign country.

Q.—Then this section was intended to pave the way for your extension into the United States and other countries? A.—No, we were in the States, but I was afraid that at any time an insurance commissioner perhaps hostile to us would call for a deposit, and as a matter of fact the commissioner of Wisconsin very shortly after that demanded a deposit.

Q.—Perhaps he heard of the statute? A.—Maybe.

Q.—Then the fourth section makes it lawful for you to make the deposit by section 39 of the Insurance Act in the securities required by the said Act. That was one of the things you wanted away back in 1889? A.—Yes.

Q.—Just look at the section. I have no doubt that is so. In the case of Associations incorporated elsewhere than in Canada for the purpose of carrying on the business of insurance, those associations may deposit with the Minister \$50,000 and then get a license. Then there is a restriction, "Provided that at the time of making the said deposit the society shall file the constitution and laws of the society," etc. Then in case of amendment there is to be a similar filing. Then a provision in case of repugnant or contradictory provisions. Then upon making a deposit and filing the constitution the society shall be entitled to a license. And you were to make an annual statement exhibiting the assets and liabilities of the society, and the income and expenditure, and such other information as is deemed necessary. Then there is a penalty for delay. Then there is the Government inspection. And then there is a provision as to the payment of certificates and policies which is material, and I call attention to it—"Every certificate and policy issued by the society shall contain a promise to pay the whole amount therein mentioned out of the mortuary fund." (Reads down to the words "without reduction or abatement.") Then there has to be printed upon your policy, "This society is not required by law to maintain the reserve which is required of ordinary life insurance companies," and then there is the provision of which you spoke awhile ago that the words "as-

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essment system" shall be printed upon every policy, application, and so on. Then sections 8, 9 and 11 are repealed. They had become useless because you had carried your point? A.—Yes.

Q.—Then you were prohibited from assuring any annuity or endowment. That endowment feature was still denied to you? A.—Yes.

Q.—Were you seeking that at all vigorously? A.—No, we had abandoned that or abandoned it at this time.

MR. HARPER: Abandoned in 1895?

WITNESS: There is no reason why we should not have had it though.

MR. SHEPLEY: Q.—Then as I take it, all along the line you defeated the enemy when you got that statute? A.—We thought so.

Q.—And you think so still? A.—Yes.

Q.—You had secured the bonding of the statute to the special features of your system? A.—Yes. A sort of recognition that it was a system.

Q.—I do not want to stay too long in the smoke of the contest but I want to go through with you the memorandum which the Superintendent addressed, remonstrating against the Bill.

MR. HUNTER: That is as the Bill was introduced in 1895. There was no such remonstrance against the Bill in 1896.

MR. SHEPLEY: I thought the Doctor said the bill in 1895 was substantially the same Bill as that submitted in 1896.

MR. HUNTER: He means the effect of the provisions.

MR. SHEPLEY: Q.—What was said in 1895 by the Superintendent was equally applicable to the Bill in 1896? A.—No, I think his attitude towards us was very much modified.

Q.—The provisions against which he was directing his artillery in 1895 were the same provisions as in 1896? A.—Pretty near the same.

Q.—Substantially? A.—Yes.

Q.—"When this Order was applying for incorporation in 1889 the undersigned had the honor to submit." (Reads down to the words "intended to amend.") A.—Is that letter not directed to the Bill of 1895?

Q.—This is directed to the Bill of 1895. You are quite right about that? A.—And when we brought in practically the same Bill the next year we had a very different attitude

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from the Superintendent of Insurance towards that Bill.

Q.—I quite appreciated that when you said it before. What I am trying to get you to say, if you will say it, is this: That there were no changes in 1896 in your Bill itself to remove his objection. The change may have been in his own views upon the subject? A.—Yes.

Q.—But there was no such substantial change in your Bill as of itself would have made this— A.—No, I think they were practically the same.

MR. TILLEY: Q.—“I then stated, paragraph 5, that the society was practically carrying on the business of life insurance on the level premium plan at insufficient rates. An alteration has been made in the Bill relative to special assessment as it then existed. The Bill is now numbered 225, and reads as follows:—

“Whenever there are no available funds to pay the endowments or other benefits of the Order, the Executive Council shall order a special assessment, which shall be paid by each member in his own subordinate Court within 30 days from the date of the call, and the subordinate Court shall forthwith submit the same to the Supreme Secretary. As I understand this Bill until the whole of the reserve fund is exhausted a special assessment cannot be made, and until then only the rates fixed by the by-laws can be demanded from the members. In confirmation of the statement that the Order is transacting the business of insurance practically on the level premium plan, notwithstanding the provisions of such Bill, I refer to the small pamphlet issued by the Order dated 1st October, 1894, in which are given the following reasons why you should join the I. O. F. 1. Because it has already over a million dollars of surplus to back up its promises. 2. Because there are no assessments on death. Every Forester knows exactly how much he has to pay each month. 3. Because a membership in the I. O. F. will secure from \$250 to \$1,500 on total and permanent disability from disease or accident, without any additional cost. 4. Because you are not worried as to the number of assessments you will make from month to month. Members pay each month a stipulated rate, according to age at initiation. These payments may be made monthly, quarterly, annually or semi-annually, to suit the convenience

of the member himself.” A.—There is just one comment with regard to that opinion, that we could not assess until every dollar of the surplus was paid up. We met that view at the next session of the Supreme Court, if I recollect rightly by inserting the word “available” the “available funds.” So that we could assess, although we might have at the time quite a surplus, but which was not available—simply to meet the objections of the Superintendent, and harmonize our position with his view.

MR. SHEPLEY: What you intended to bring about, and what perhaps you did bring about, was that you did not have to disturb the investments of the surplus? A.—There are some funds that are not available; for instance deposits with Governments. The deposit with the British Government would not be available, because that view might have been correct, although it was never intended to be so by us. We altered the constitution to meet the views of the Superintendent.

Q.—As a matter of history have you ever made such an assessment? A.—Certainly not, never within sight of it.

Q.—You have always had available funds? A.—Money to burn, and we burn it for the good of the Order.

Q.—Then we deal with the question of the sufficiency of the rates. You observe that in the reference to the pamphlet which the Order issued in the previous October it was stated that your system was advantageous because there were no assessments on death. “Every Forester knows exactly how much he has to pay each month.” A.—That is quite true. No assessments because our members pay, according to the contention of the Superintendent himself, a stipulated sum per month, and assessments cannot occur until we have no money to pay the claims of the widows and orphans.

Q.—Now the next matter I wish to go through, because it is in the report, and I do not want to leave it out, but that will probably be the subject of a more definite inquiry a little later on, that is—what shall I say—the criticism of the paper known as the “Economist.” Mr. Fitzgerald quotes from an article in the “Economist of London” of the 21st December, 1893, under the heading “Where not to insure.” I suppose

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you are familiar with that literature?  
A.—Oh, yes.

Q.—Like a good general you always know where the forces are that are on the other side? A.—Yes.

Q.—“The well known standing and reputation of the ‘Economist’ are such as to entitle its views to very great respect.” Any comment to make there? A.—Well, just from the standpoint you have; whether the “Economist” carries any real weight in matters of insurance just depends where you stand. From our standpoint we believe it was paid to write this article.

Q.—You think it was? A.—I have no doubt it was.

Q.—You think it was a hireling that did not care so much for the job as for the pay? A.—Certainly, ready to earn his fee, and not to represent the truth with regard to the Foresters, and there has been a lot of such literature manufactured.

Q.—Your suggestion I suppose is that it was the old line companies that were behind the attacks upon you? A.—No question about that.

Q.—Then we will just go rapidly through the article which is as follows; (reads from) “we have recently taken exception to the course adopted by an American Insurance Company” to ‘1893’. That is true as a matter of fact that you did endeavour to register in 1893 in England or is it not? “It was also sought to register the company in the United Kingdom as a friendly society in the course of 1893?” A.—We not only sought, but we registered in England.

Q.—“But their method of conducting business was such that in January, 1893, final intimation was given through the ‘Times’ by the Registrar of Friendly Societies that the prospectus as it is issued appeared to be essentially misleading.” Is that a fact? A.—There was something of the kind, but that related only to our Sick and Funeral Benefit Department of Friendly Societies Department. This deals with that entirely.

Q.—Reads from “caution should be preserved by any person having dealings with the Society” to “the Order became entitled to trade as a life insurance company?” A.—That is wholly incorrect. We did not begin to trade until we got the warrant. But we found afterwards that we could do the Friendly Society’s work under our warrant as an insurance company, and we gave notice to the

Registrar to cancel our license as a friendly society.

Q.—You did make the deposit of £20,000? A.—Yes.

Q.—And you did become entitled by virtue of that deposit to do business as a life insurance company? A.—Yes, but not as represented there. Having been as represented there driven out of the United Kingdom as a friendly institution and then we sought to register as an insurance company, that is not correct. We voluntarily abandoned the license from the Friendly Societies’ Bureau because we had found out that we could do the business under our warrant.

Q.—Under the general license? A.—Yes.

Q.—Reads from “the system of the Order was explained in an address delivered in London during May last by its chief officer” to “published in 1842.” Did you make such a statement as that? A.—Certainly not.

Q.—You never made such a statement in London or elsewhere? A.—That could not be established by the fact and you know that is untrue.

Q.—You did not make such a statement? A.—No sir.

Q.—You told us yesterday how your rates were made. You made no contrary statement to that in London? A.—No sir, and you will be glad to know that last year we had a surplus from the premium payments of those old members who are paying those old rates of nearly a quarter of a million dollars.

Q.—You told me so yesterday? A.—Well, it is worth telling over and over again, because it is rather a remarkable fact.

Q.—Worth telling elsewhere, but perhaps all of us who are here are either Foresters already or are not going to be? A.—Well, some of this will reach the outside man on the street.

Q.—Reads from “by what process the actual cost is made up we are unable to discover” to “actuarial science has been set at defiance.” You would not say you had set actuarial science at defiance, would you? A.—No. I might say that the history of the Order has set actuarial computation in a very bad light.

Q.—The Order does not fit actuarial science any better than it fitted the old Statute? A.—No.

Q.—Reads from “this is, however, of small importance since it has been actually admitted that actuarial sci-



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ence has been set at defiance" to "one-half what is charged by British companies." I suppose that is a fair statement of what you were doing? A.—I think so. Not quite that.

Q.—Reads from "to take a specific instance" to "Two pound ten." Would that describe with sufficient accuracy what your contentions were? A.—They are not set forth accurately.

Q.—What is wrong about that? Did you advertise that for £1 premium you would grant such a policy as this, £100 at death or total disablement, all premium paying to cease at 70, and for ordinary insurance, payable at death the rate charged by British offices was £2.10.1. A.—Our rate would have been higher than that and we would not advertise any rate below our minimum rate. We were always extremely particular, one of the things I enjoined upon them.

Q.—Is the rate stated here below your minimum rate? A.—Yes.

Q.—And you never advertised as stated here? A.—We never advertised anything that could not be upheld in public, in a public controversy.

Q.—You say you never did issue insurance policies of this class for this money? A.—Or those rates.

Q.—Then he says: reads from "however it will be found that for several reasons the comparison thus made is neither fair nor true" to "entitling the holder to participate in the profits earned?" A.—I cannot tell you as to that because I am not cognizant of what particular pamphlet he has. There were some pamphlets issued without authority and which the moment they were brought to my attention, were recalled, because the statements were not true; they were exaggerated statements, and I pointed out to our people in the old country that that was a very bad policy to pursue.

Q.—Then you say inadvertently some literature was circulated making a comparison such as spoken of here? A.—Exaggerating our position, which was not necessary.

Q.—And that you called in? A.—Always called in any such thing as soon as it was discovered.

Q.—Did it happen more than once? A.—Oh, in some countries, for instance Australia, I think there were some, and in some of the States.

Q.—And as soon as the news reached you, you did what you could to stop it? A.—Certainly. In fact that is one of the reasons why we have tried to issue all publications

from the head office and sell them to the jurisdiction, so as to insure their accuracy.

Q.—Of course it would not be a fair comparison to compare your premium rate with the premium rate of the company which granted participation in profits? A.—Well, you will find that that never was done.

Q.—Not even inadvertently? A.—Not even inadvertently, I fancy.

Q.—Then the writer of this article goes on to say that no surrender values were allowed by the Order of Foresters such as were given by British offices. That is true, of course? A.—Yes.

Q.—"Thirdly," reads to "since the Order has no practical existence as a friendly society." A.—That is an untrue statement.

Q.—That is the same mistake that was made in the earlier part of the article, treating you as not being a friendly society, whereas in fact you are? A.—Certainly we are and helped each other a lot in the United Kingdom in a fraternal way.

Q.—Reads from "Fourthly" to "extra premiums, whenever required." That is correct? A.—Yes.

Q.—Reads on to "average membership of 37,114." Did you make a statement to that effect? A.—No, I don't remember that I did, but if I did it was true.

Q.—"On this basis in the course of 7 or 8 years the membership would be practically renewed?" A.—Yes.

Q.—Reads from "But apart from the fact that such reasoning has again and again been proved by experience to be fallacious" to "allowed their policies to lapse." Then he goes on to deal with another subject. Reads from "the comparison of rates is not, however," to "no statement of accounts has been issued by it here." A.—The only observation there is that with regard to the expenses charged to the membership, they may be regarded as paying for the fraternal and social privileges secured by them. The masonic bodies have to pay for their social privileges and yet they get no insurance benefits; we have established this system, taking the friendly society's system of giving a place of meeting for the members and other social privileges, we have grafted upon that the insurance department.

Q.—That is you have an insurance company grafted upon a friendly society? A.—That is right, and there-

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fore this observation that we are unfair in not mentioning these expenses for the social and fraternal department, if I may be allowed the expression, does not seem to me to be fair because it is a different benefit entirely that is paid for.

Q.—Still your member cannot have insurance without paying these charges? A.—Certainly not, but he has that benefit.

Q.—They are a necessary outgo if he is to be insured? A.—Yes, and he gets a constant benefit.

Q.—The insurance is compulsory upon him if he wants the friendly benefits? A.—Yes.

Q.—Then the Superintendent refers next to a paper prepared by Mr. Blackadar, which I omit? A.—Is that where I asked you to take in a part of Mr. Blackadar's paper?

Q.—You are right. Reads from "it will be observed that Mr. Blackadar" to "its gradual reduction and ultimate extinction." That is the view that you think, or you know has not been borne out? A.—I do not think at all about it.

Q.—That you know has not been borne out. I changed the word—A.—Certainly, and so do you. Everybody knows.

Q.—Reads on to "pay the necessary working expenses of the Order." That is probably true enough, is it not? A.—Well, no.

Q.—Is it not probably true enough that 5 per cent. of the mortuary fund has not been sufficient to pay your expenses? A.—No, in a way. True in this way that we used some other source of income, there are some other sources of income that go into the general fund for management expenses. But 5 per cent., any day we would desire to make it, would be quite ample to pay the management expenses of this Order to-day. When we get to the accounts we will find that the great expenditure are in the organizing field, which we are not obliged to do except as the interests of the Order demand.

Q.—The memorandum proceeds: "in view of the foregoing it appears to be established" reads to "must result unless a readjustment of benefits is made." That is what the Superintendent was saying in 1895? A.—Yes, history answers it. I want to put in, so as to bring before the Commission fairly the expenses of the Order as compared with others because you can value these things only

by comparison. Will it come in now?

Q.—Whenever you like. This is a paper which has been prepared and I take it it is not among the papers that have been furnished to me? A.—I don't think this has been. It is a ratio of expenses between the two systems.

Q.—I put this in. I shall not attempt to criticize it at the moment because I have not time. "Comparison of expense ratios extracted from the Parliamentary Report of the Department for the year 1905. (Read and filed as Exhibit 446.)

MR. LANGMUIR: Is it the average of the whole?

MR. HUNTER: Yes, your Honor, the average of the whole. A.—The expenses of the old line companies during that year were some \$15 per policy or per member. Ours were a little over \$2.

MR. SHEPLEY: Then Mr. Fitzgerald proceeds: "the Order has under its present Charter power to issue policies" reads to "on the part of Parliament." That you would not find fault with? A.—Oh no, especially in view of the fact that Parliament did grant it.

Q.—"It will be in a sense a re-fixing of the Government stamp" reads to "that Parliament should not grant the seal of approval which the Bill asks. For these reasons the undersigned is of opinion that the first section of the Bill should not be adopted." Then he deals with the second section and says: (reads to) "which they do not at present possess." You did not, I think, get that power in 1896? A.—I don't think we asked for that power; I think he is mistaken.

Q.—Then Section No. 3 of the Bill: Reads from "this section is intended to amend Section 6" to "invest in British Government securities." A.—We deposited the securities, but they were Canadian securities. The securities were deposited as required by the British Act, but they were Canadian securities.

Q.—The British Insurance Department accepted Canadian securities? A.—Yes, Prince Rupert's Land, Consols or Loan.

Q.—That you call a Canadian security? A.—Certainly.

Q.—Issued in London? A.—Yes, on the strength of lands and other securities in Canada.

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Q.—“The undersigned is of opinion that the securities in which the Order proposes to invest are free from objection.” Reads to “in favor of investments in Canada.” That you would not find fault with? A.—No, that is substantially the position of the Order. While the majority of the membership is in the United States we only ask as a maximum sum the half.

Q.—Then he deals with Section 4. Reads from “if that amendment is granted” to “subject to Government inspection which it is not.” In the following year that became inapplicable because you got Government inspection? A.—Yes, that is not a fair comment on our position.

Q.—I am inclined to say that it is entirely inapplicable to the Bill you actually got through? A.—Yes.

Q.—Now I will deal for a moment with some of the correspondence that was passing at that time. I have what purports to be a letter to you of the 11th of July, 1895, from Mr. Fitzgerald explaining an apparent discrepancy between certain rates which you had given and which he had given. Do you remember the circumstances? A.—Yes.

Q.—What his letter says is this:—“The apparent discrepancy between your rates and mine” reads to “very nearly accurate in every case.” You remember that letter? A.—Yes. My contention is that I gave mine as per member and he says he made a table computing it upon the basis of per thousand of insurance and put the two as comparable. That was not fair. He ought to have taken the same basis that I did, if he wanted to get another table to compare with mine.

Q.—I will ask you about that when we come to your letter to Mr. Semple. Then you answered that on the 15th July and this appears to be the letter. You remember that you did answer it, I suppose? A.—Yes, I answered his.

Q.—“I beg to acknowledge receipt of your favor of the 11th inst. relative to Table No. 9.” Reads to “were due to the fact that you were in part guessing at the data.” What did you mean by that? A.—In his letter he does not say that does represent the exact figure; he says “approximate.” If that does not mean guessing I do not know what does.

Q.—That is what you mean by it, that he was talking approximations instead of getting the exact figures? A.—Certainly.

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Q.—“Which is perhaps excusable under the circumstances.” Reads to “however, as your figures appeared to be innocuous before the Banking and Commerce Committee,” you could not help crowing over him, could you? A.—I am Indian, you know.

Q.—(Reads on) to “in the interest of the people of the country.” That is what you said then and what you say now, whenever you ask for legislation you ought to get it? A.—I think so, because we never asked for anything that we ought not to get. What we asked for was in the interest of the Order and of the system.

Q.—Your letter to Mr. Semple then was a document intended to promote the legislation? A.—Certainly. Campaign literature.

Q.—You address him as “Dear Sir and Brother.” Was he a Forester? A.—Certainly.

Q.—Reads from “the appeal to Parliament” to “do not rank even as an assessment company.” I should have asked you what societies did you understand, apart from the old line insurance companies, were stirred up to this fierce opposition? A.—There were two or three of our brother friendly societies came trooping down to Ottawa to prevent the granting of our Bill of incorporation. Fortunately we had a sensible Finance Minister and he told them they had not made out any case at all.

Q.—That was in 1895? A.—Yes.

Q.—You did not mean the Act of Incorporation, you meant the Act amending it? A.—Yes, the amending Act.

Q.—I asked you what companies or societies they were, if you remember? A.—I think one was the Ancient Order of Foresters and another was the Canadian Order of Foresters, and if my memory serves me I think it was the Royal Templars of Temperance. All rival institutions.

Q.—The Ancient Order of Foresters, from which you had seceded? A.—Yes.

Q.—And the Canadian Order of Foresters? A.—Who had seceded from us.

Q.—That is how these brethren dwell together in amity? A.—Oh, they did not disturb us or our kindly regard for them.

Q.—Still you spoke of them as being “stirred up to fierce opposition?” A.—In campaign literature I was entitled to say that.

Q.—Reads from “the Foresters are not a life insurance organization” to



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"an assessment company." A.—That is correct.

Q.—(Reads on to) "Their stability and permanence." "You seem to be dealing with the Bill as having no substantial features about it except the amount of the increase in your certificate?" A.—That is the chief feature, if I remember correctly, and the increasing of our power to hold real estate, for the building here.

Q.—Then there was the getting the Government inspection and the doing away with— A.—We really did not care for that particularly. We put it in because we thought we might get it, and it would not do any harm if we did not get it. Would you allow me to put this in? My explanation to the Supreme Court with regard to the Act?

Q.—In the report of the Supreme Chief Ranger to the Supreme Court and its Appendix "A"? A.—Yes.

Q.—The page is in Roman numerals, VII. At the Session of 1895. This is your report, and I am glad to put it in, and your letter to Mr. Semple. You begin "In accordance with the instructions of the Supreme Court adopted at its last session by practically unanimous vote," reads to "the High Court of New Brunswick." What High Court was that? A.—Our own High Court.

MR. LANGMUIR: What is the date of that?

MR. HUNTER: This is the Report presented in 1895.

MR. SHEPLEY: The meeting of the Supreme Court was held at London on the 1st and 2nd of August; at Glasgow on the 9th of August; and at Belfast on the 10th August, 1895. Your own High Court opposed the mandates of the Supreme body? A.—Yes.

Q.—(Reads from) "The Chairman of the Banking and Commerce Committee" to the beginning of the letter to Mr. Semple. You quote the letter I have just been dealing with. That is the end of the discussion of that subject in your report? A.—Yes.

Q.—Then I will read from the letter which I have before me. I would like you to say, if you will, what were the reasons why your Order was agitating for increased power in respect to granting insurance? A.—Because we would get a better class of men; lawyers for instance, when approached to join the Order, would say, "Oh well, \$3,000 is hardly enough to bother with the Order for."

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Q.—You found that the sum for which you were able to insure? A.—Did not attract the class that I was anxious to get in.

Q.—Any other reason? A.—I think that was the chief reason. This perhaps had better go in, subsequent to that in which the Supreme Court directed us to re-introduce the Bill.

Q.—Yes, that is pertinent at present? A.—Showing that we were acting under the directions and commands of the Supreme Court, which body we were, I may say, the servants of.

Q.—"The following motion was moved by Brother W. T. R. Preston, the Supreme Conductor." What is a conductor? Anything to do with lightning? A.—He conducts the candidates through the—

Q.—Through the mazes? A.—Through the mazes at initiation.

Q.—"The Supreme Conductor, W. T. R. Preston, seconded by Brother George Kappeler and referred to the Special Committee on amendments to Charter," reads to "having already taken the preliminary steps to have the Bill again presented before Parliament at its next Session in January." That was your authority to re-introduce the Bill? A.—Yes.

Q.—Now your letter to Mr. Semple very properly puts the right to have your insuring power increased upon your giving reasonable guarantees of your ability to redeem your promises, and reasonable guarantees of your stability and permanence? A.—Yes.

Q.—Then your letter proceeds: "if it be conceded that \$5,000 is not too large a sum for any man to leave to his family" to "has been before the Supreme Court for the last 8 or 10 years but it was not recommended"—did the representatives of the New Brunswick High Court vote for it too? A.—Yes, I think they did. This refers to the past approval. At that time that it was approved I think there was no opposition at all in the Supreme Court. The opposition from New Brunswick developed upon local issues very suddenly.

Q.—Let us understand. You had at your meeting in 1895 reported that the Executive had introduced the Bill and you got that introduction approved of? A.—Yes.

Q.—You had not met before since what year? A.—A couple of years before, probably. I think at that time we were meeting biennially.

Q.—In 1893? A.—Yes, I think so.

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Q.—Do you say that at the meeting in 1893 you were specifically instructed to bring in such a Bill? A.—We may have just discussed it as to the propriety of asking for such a Bill and the consensus of the opinion of the membership was that it was a good move to make. There may not have been any formal resolution. Then upon that we acted. And at the next Session you have just read the action of the Supreme Court officially.

Q.—When the Supreme Court met in 1895, but what I am speaking about is your official authority to introduce the Bill, before you introduced it, if there was any? A.—Oh, we frequently discussed measures of that character openly and did not take any official action.

Q.—I suppose if there was any discussion at your biennial meeting next before 1895, it will appear upon the minutes? A.—Not necessarily. I am just telling you that sometimes we ask the opinion of the representatives and do not take any official action.

Q.—What do you mean here when you speak of recommending the Bill? You say that the question of increasing the benefit has been before the Supreme Court for the past 8 or 10 years but it was not recommended? A.—That no official action had been taken.

Q.—That is that you had not introduced the Bill? A.—Certainly.

Q.—But you had introduced it, largely of your own initiative, had you not? A.—You mean into the Supreme Court?

Q.—No, in Parliament? A.—No, that could not be done without getting the opinion of the Supreme Court as to whether they would sanction the asking of the additional power.

Q.—How could you get the opinion of the Supreme Court except at a meeting of the Supreme Court? A.—Certainly, I could not get it otherwise, but if I said to the Supreme Court the opinion of the Executive is that we ought to go to Parliament and get this additional power, there would be a discussion upon that statement and we would get the opinion of the Supreme Court, but not in an official way, if the discussion showed that everyone was in favor of it.

Q.—It would not necessarily be upon the minutes? A.—No.

Q.—But if you got that in 1893 you would not have waited until 1895 to introduce your Bill? A.—Oh, I don't know. We often wait several years,

Ind. Order of Foresters.  
(Dr. Oronhyatekha, Ex'd.)

having a thing in contemplation before we take action upon it.

Q.—Not if it is recommended without a dissentient voice by the whole Supreme Court as a thing that is right to be done? A.—We have to wait for public opinion.

Q.—Do you say that as a matter of memory or are you just arguing about it? A.—I say it as a matter of memory that we often wait.

Q.—But I am speaking of this particular measure, this particular subject? A.—Then I am speaking as a matter of memory.

Q.—Do you say that in 1893 at that last meeting of the Supreme Court there was a discussion at which it was agreed this legislation was desirable?

A.—I say it was 8 or 9 years before that, it had been discussed in the Order in the Supreme Court.

Q.—At their meetings from 2 years to 2 years? A.—Yes, this matter was submitted.

Q.—And had the Supreme Court in 1893 come to the conclusion that the time was ripe for legislation? A.—It must have.

Q.—Are you saying that as a matter of memory, again I ask you, or are you arguing? A.—No, as a matter of memory; I don't know what you mean by "as a matter of argument." It is no use for me to argue with you, you will get the best of me.

Q.—I do not mean that. Do you mean that it must be so although you do not remember it, or do you remember it as a matter of fact? A.—No, I say it must have been so.

Q.—Then that is what I mean by arguing. I do not use the word in an invidious way. You think it must be so, although you do not remember it as a matter of fact? A.—Yes. I will have it looked up; there may be something in the minutes.

Q.—You say specifically in your letter to Mr. Semple that it has been before the Court for 8 or 10 years but was not recommended to the members and then the question was passed by the Supreme Court without a dissentient voice. You see how specific the statement is? A.—Yes.

Q.—(Reads from) "granted that there are no reasons" to "from which I take the following extract." You set out Clause 14 of the Bill that you introduced? A.—The original Bill.

Q.—That makes it the duty of the Supreme Chief Ranger and the Secretary to prepare annually a statement of the financial condition and

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affairs and so on, verified by statutory declaration and file it with the Superintendent of Insurance? A.—As it is done to-day.

(Adjourned till 2 o'clock.)

#### AFTERNOON SESSION.

Resumed 2 P.M., Friday, September 14, 1906.

#### HOME LIFE ASSOCIATION OF CANADA resumed:

APPLETON J. PATTISON recalled:

MR. TILLEY: Q.—You are already sworn, was there at any time an agreement that you should be paid \$90,000 in connection with the bonus on stock or commutation of contract or for any other purpose? A.—There was a verbal agreement.

Q.—With whom? A.—Mr. Stratton.

Q.—Was the agreement with him personally? A.—Personally, yes. Well, now, perhaps I am wrong about that.

Q.—I would like you to be accurate? A.—I want to be, and that is the reason I am saving the price agreed upon was \$90,000. I think that was with Mr. Stratton, but whether it was Mr. Stratton or Mr. Warren I would not like to say now.

Q.—Do you say you cannot remember which it was? A.—Mr. Warren conducted the negotiations.

Q.—Why do not you answer the question, do you say you cannot say which it was, never mind the reasons for it? A.—The understanding was \$90,000 and that was with Mr. Stratton and myself, but how that was reached, whether it was Mr. Warren or myself or Mr. Stratton that reached that sum I cannot say.

Q.—You cannot say who it was that agreed on \$90,000? A.—At first.

Q.—When was \$90,000 first agreed on, how long before October 12th? A.—It was the sum that was fixed all the time from the time of the negotiations.

Q.—Then when did the negotiations take place? A.—They ran over several weeks, I could not give you the date of that.

Q.—How long prior to October 12th? A.—It would run over several weeks, I am not sure it was two months; the exact date I cannot give you.

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(A. J. Pattison, Exd.)

Q.—I would like you to say how long before October 12th you had agreed on \$90,000? A.—I cannot give you the date.

Q.—Two months? A.—But I have told you I cannot give the date.

Q.—Was it as long as two months? A.—I cannot tell you how long it was, it was at the beginning of the negotiations which ran over some time.

Q.—According to your best recollection was it about two months? A.—I would think it was 6 weeks or two months.

Q.—And 6 weeks or two months before the transaction closed it was distinctly understood, according to your understanding, that you were to be paid \$90,000? A.—Yes.

Q.—Up to that time had any suggestion been made to you that you would have to pay any part of \$90,000 to any person representing the People's Life? A.—No.

Q.—Had there been any suggestion of the kind? A.—No.

Q.—Then from the time that it was agreed on at \$90,000, without any suggestion of your paying back any part of it, was anything said as to the amount down to October 12th? A.—No, I expected to be paid \$90,000.

Q.—So that for two months that transaction stood in that way, that you were to be paid the full \$90,000 without any further discussion about the time? A.—Whatever the time was.

Q.—Six weeks to two months, why did the transaction stand for those two months? A.—Whatever time it stood was because of the holidays intervening, and I think because of Mr. Stratton being away, and for the purpose of discussion and consideration of the parties interested.

Q.—What holidays intervened? A.—I cannot tell you that. I think that I was away for a short time and Mr. Stratton was away for a short time.

Q.—Do you mean the summer vacation? A.—It would not be as far back as that I think, July and August.

Q.—What holidays do you refer to? A.—The holidays I was taking and the holidays Mr. Stratton was taking.

Q.—You mean your personal holidays? A.—Yes.

Q.—Where did you go at that time? A.—I imagine I went to my country home north of Toronto.



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Q.—Staying there during the day?  
A.—I did that frequently.

Q.—For how long? A.—Sometimes for two weeks at a time, a week to ten days.

Q.—As late as September? A.—Oh yes.

Q.—Where was Mr. Stratton? A.—I could not tell you that. He told me he was going away, but where he went I could not say.

Q.—As I understand you had definitely arranged your terms with Mr. Stratton or Mr. Warren some 6 weeks or two months before it was closed and then it stood in that shape while I suppose you would make your arrangements with your other directors and get the matter ready to close? A.—Yes, that was the cause of the delay if there was a delay.

Q.—Then until October 12th there was no suggestion you would not get the whole \$90,000? A.—No, no suggestion.

Q.—Tell me who was the first person to mention the amount to you on the 12th? A.—Mr. Stratton.

Q.—Where did he mention it? A.—I am under the impression he mentioned it at our office.

Q.—At the Home Life office? A.—Yes; I am under that impression.

Q.—Were you alone with him? A.—Yes.

Q.—What did Mr. Stratton say? A.—That he would—I cannot give you the exact words, the gist of it was that he would have to reduce the amount from \$90,000 to \$80,000.

Q.—You would have to reduce the amount from \$90,000 to \$80,000, was that all that was said? A.—Yes.

Q.—Did you say “We have agreed on \$90,000?” A.—The way Mr. Stratton put it I understood that was all he could pay.

Q.—Did you say “We have agreed on \$90,000?” A.—No, I did not, because he knew that.

Q.—Tell us then the discussion, you did not give up \$10,000 as easy as that? A.—There was actually no discussion took place.

Q.—What was said? A.—Mr. Stratton said that was all he could pay.

Q.—What do you mean that he could pay? A.—All he would pay or could pay.

Q.—He had agreed to \$90,000? A.—Yes.

Q.—Did you tell him so? A.—No, because he knew that.

Q.—And it was all he could pay? A.—It does not appear so now, but

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that was the understanding I had of it.

Q.—What hour of the day was that? A.—That was in the afternoon about three o'clock or half past three.

Q.—Did he have the money then? A.—I do not know.

Q.—Nothing was said about having the money? A.—No.

Q.—What happened next? A.—The transaction was closed.

Q.—Did you agree then to take \$80,000? A.—I do not think that I agreed to take the \$80,000 at the time Mr. Stratton mentioned it first, I do not think I refused; my impression is that it was mentioned before Mr. Stratton left the office to go to the People's Life; I may be wrong about that, but it was either then or on the way to the bank that the sum was refused, and I considered it for a few moments and decided I would accept it.

Q.—Something else then was said on the way to the bank? A.—Not in connection with that except that I was considering the matter myself.

Q.—Mr. Stratton came to you and said “All I will pay is \$80,000,” and there was no discussion at all? A.—There was no discussion.

Q.—No point raised that that part of the transaction was already closed and settled as to amount? A.—It was only a verbal agreement and I did not know whether that was settled or not; I did not understand the legal part of it.

Q.—Did you understand Mr. Stratton wanted \$10,000 for himself? A.—Oh no.

Q.—You say you did not? A.—No, I did not.

Q.—Did you ever say to any directors of the Home Life that in settling the amounts you paid them that you had to divide with Mr. Stratton? A.—No.

Q.—Will you consider you made no reference to anything going to Mr. Stratton to any director of the Home Life? A.—Yes, I will swear that if such a statement is made whoever made it is under a misapprehension, or else I have not made myself perfectly clear to him when talking.

Q.—Tell me what you told the directors of the Home Life? A.—I have already told you that the matter of the amount that was to be received was not discussed with them at all.

Q.—Did you ever say anything that a director might think you meant you

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had to divide with Mr. Stratton? A.—I would not think that any director would be warranted in arriving at that conclusion.

Q.—Did you ever say anything from which he might draw such an inference? A.—I do not think so. I paid moneys out of the money received other than those detailed here.

Q.—What moneys did you pay other than those detailed here? A.—You only asked me for the amounts I paid the directors.

Q.—What other moneys did you pay other than those you have told us about? A.—I paid a commission to a broker.

Q.—Who was the broker? A.—Is not that a personal matter now?

Q.—No, I think not? A.—If it is not you might want to know what I did with all the money I received.

Q.—We may? A.—I have not any objection to telling you if that is the desire of the Commission. Whether the brokerage was mixed up with the other or not I cannot tell you; I paid \$1,500, I think it was to a Mr. McPhillips. He was a gentleman who started the negotiations for the consolidation of the two companies.

Q.—What is his occupation? A.—I am not sure, I think he was a newspaper editor.

Q.—What kind of a newspaper? A.—I think it was an insurance journal.

Q.—What is the name of the insurance journal? A.—I don't know.

Q.—Don't say you don't know the name of the paper Mr. McPhillips is connected with? A.—It is a fact, I do not know.

Q.—Find out from some of your staff or the staff you had? A.—Does any one know? I do not know. It has not been long in existence and I do not know the name of the paper.

Q.—It is a paper that deals with insurance matters? A.—Insurance and finance I think.

Q.—How is it that is the first we heard of Mr. McPhillips? A.—I do not think I was asked about that.

Q.—I certainly asked how the negotiations commenced, did they commence through Mr. McPhillips? A.—Yes.

Q.—Who was he acting for? A.—I do not know, but he came to me and asked if I would be willing to take over the business of another company, and the next interview I had was with Mr. Stratton. That is all, that is the only time Mr. McPhillips had anything to do—

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Q.—Mr. McPhillips asked you; what time of the year 1905 did he ask you that? A.—It would be shortly prior to our entering into negotiations with Mr. Stratton himself, I cannot give you the date of that.

Q.—That would be probably June 1905? A.—It may have been June or July.

Q.—And all he said to you was what? A.—He wanted to know if we would be willing to take over the business of another company and enter into arrangement, such arrangements as follows.

Q.—Did he name the other company? A.—No.

Q.—Did he say anything about the commission for himself? A.—Yes.

Q.—At the time? A.—Yes.

Q.—What did he stipulate for? A.—I think he wanted \$3,000, but I am not sure.

Q.—At the time the negotiations started? A.—I think so.

Q.—What happened next was you had a call from Mr. Stratton? A.—Mr. Stratton called to see me.

Q.—Did you know that Mr. Stratton came as the result of a talk you and Mr. McPhillips had? A.—Yes.

Q.—When did Mr. McPhillips get his money? A.—After the transaction was closed, about the same time as the payment.

Q.—In October? A.—Yes.

Q.—Did he know you had been paid 000? A.—I do not know that.

Q.—Did he know you had been paid something privately? A.—You mean the payments that I received from Mr. Stratton?

Q.—There cannot be any question about what I mean? A.—I do not know what you mean, else I would not ask the question; when you say privately what do you mean by that?

Q.—You cannot imagine what I am asking you about when I ask you if he knew you had been paid some money privately? A.—There was nothing private about the transaction with Mr. Stratton.

MR. McLAUGHLIN: Personal.

MR. TILLEY: Q.—Did he know you had been paid any money? A.—I think he must have known that or else he would not have expected me to pay a commission.

Q.—Did he suggest that fact to you? A.—In the arrangement for the commission?

Q.—Yes? A.—Yes.

Q.—When he was getting his money did he suggest to you you have been

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paid money? A.—The payment to him was the result of that, he did not suggest it, because he knew I had received some money, he must have known that.

Q.—Did you tell him it? A.—I think I did.

Q.—Did you tell him how much? A.—No, I do not think so.

Q.—Was Mr. McPhillips paid something by the People's Life, too? A.—I do not think so.

Q.—Have you exhausted now all the moneys you paid out of the \$80,000? A.—Yes. All in connection with the transfer or the directors or any one else.

Q.—Any one else connected with the transaction in any shape or form? A. Yes.

Q.—And the balance of the money, amounting to about \$60,000, was used for your own private purposes? A.—It left about \$60,000.

Q.—And that was all used for your own personal purposes? A.—Yes.

Q.—Nothing to do with the company or anything else in the shape of commissions? A.—Nothing at all.

Q.—Now, then, will you tell me what statement made by you to directors might be construed into an inference that you had paid Mr. Stratton money, or had to divide with him? A.—I do not think there is any such statement.

Q.—Will you say nothing you have said to any of the directors would warrant them in assuming that you had paid Mr. Stratton money, or divided it with him? A.—To the best of my understanding of what I said, yes; I cannot tell what conception may have been reached by them.

Q.—It is possible they may have thought that? A.—I think it is possible that they may have thought that.

Q.—And it is possible they may have thought that from something you said? A.—I do not think they would be warranted.

Q.—It is possible that they would from something you said come to the conclusion that you had had to divide the money with Mr. Stratton in some way? A.—It is possible.

Q.—The amount that you were to be paid, \$80,000, it was settled at any rate before you got into the bank? A.—I think it was settled at the bank desk, in the Traders' Bank at the desk.

Q.—Where in the Traders' Bank? A.—At the desk where I received the money.

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Q.—You received money? A.—I had handed to me the money which was deposited in the bank.

Q.—Did you have any money in your hand at all? A.—Oh yes.

Q.—Actual cash? A.—Yes.

Q.—Or a bank receipt for it? A.—No, it was cash.

Q.—How much cash? A.—\$80,000.

Q.—Did you count it? A.—Yes, \$80,000 and \$29,222 I think it was.

Q.—What were those sums made up of? A.—The shares—I am speaking from memory now and I would like to have the figures because I want to be correct, the exact figures you have.

Q.—In what? A.—In the evidence and in the books I think.

MR. McLAUGHLIN: \$29,100 and there was \$120 which Mr. Pattison spoke of afterwards.

MR. TILLEY: Do you know now? A.—I think it was \$80,000 and \$29,220.

Q.—Did you receive these sums both at the same time? A.—Yes.

Q.—And you received cash for them? A.—My impression is it was all cash, there may have been a cheque for part payment.

Q.—Whose cheque? A.—I could not tell you that now, I had not seen the documents till we got to the bank, had not seen the money.

Q.—What documents did you have at the bank? A.—I did not have any document, when I say documents I mean a cheque, if there was a cheque.

Q.—In what denomination was the money? A.—They were large bills, I think \$500's and \$1,000's, I do not remember the denominations.

Q.—You counted it? A.—Yes.

Q.—Was that handed to you by Mr. Stratton or some person in the bank? A.—Yes, by Mr. Stratton.

Q.—Where did he get the money to hand you? A.—I could not tell you that, he left me with the General Manager of the bank for a few minutes.

Q.—Was the General Manager of the bank there during your discussion? A.—I think he was sitting at his desk over at one side of the room.

Q.—When you were discussing the amount? A.—No, I do not think so.

Q.—You had settled the amount before you went in there? A.—We were at the desk where they deposit money and Mr. Strathy was in his own private office; that is my recollection.



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Q.—You had agreed upon the amount before Mr. Stratton left you in Mr. Strathy's office? A.—I think so.

Q.—Where did Mr. Stratton go or how long was he away? A.—Only just a few moments, or a few minutes.

Q.—As though to get money? A.—He left me, and went into the bank; I did not ask him for what purpose; it would be only a matter of conjecture.

Q.—What was your understanding at the time? A.—I supposed he went for the money.

Q.—Did he come back into the General Manager's room with it? A.—He came back, whether it was in the General Manager's room or at the desk where we filled out the money.

Q.—Did you fill out slips for your money? A.—I filled out a slip for deposit.

Q.—Did Mr. Stratton fill out a slip at the same time? A.—Not to my knowledge.

Q.—Did he count out the money to you or did he just hand it to you in a roll? A.—I cannot say.

Q.—Did he take that out of a larger sum or was that all he had to hand you? A.—I think that was all I saw; I think I was handed a roll of bills by him to count; I think that is my recollection of it.

Q.—You think he handed you a roll of bills which he had ready to hand to you, and you counted it? A.—Yes.

Q.—And then you made out a deposit slip in your own handwriting? A.—Yes, I think so, I think there were three slips.

Q.—Why three slips? A.—I think I separated it into three accounts.

Q.—In the bank? A.—That is my recollection of it.

Q.—Under what names were those accounts? A.—I think they are under my own name or my own name in trust.

Q.—Why did you divide it into three accounts? A.—I thought I would wish to divide the deposits leaving a part of the money in the Traders' Bank and using a part in other banks; I took it in the form most convenient to carry it out.

Q.—What form was most convenient to carry it out? A.—It was to have the deposits separate so that I would have conveniently bankable paper for the other banks to whom I might desire to transfer a part of the money.

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Q.—What do you mean by conveniently bankable paper? A.—I had it separated into sums that I thought would suit my convenience for use in the other banks.

Q.—How could your convenience be consulted in connection with the other banks? A.—It was only my own idea of arrangement—

Q.—You are not a man who moves without reason, why did you divide that into three accounts—you have not given us the reason yet? A.—I have.

Q.—What was it? A.—It was a purpose of using the deposits to be deposited in other banks.

Q.—Did you get deposit slips? A.—I got certificates of deposit.

Q.—From the bank? A.—Yes.

Q.—For each account? A.—For each of the three accounts.

Q.—You intending to transfer the money to other banks? A.—A part of it.

Q.—How much of it? A.—My recollection is now that I transferred \$79,000 of that money.

Q.—From one account that you have there, or taken from different ones of the three? A.—Taken from different ones of the three.

Q.—Some from each? A.—No.

Q.—Let us understand how you divided, did you put the \$29,220 in one account? A.—Yes.

Q.—That is the stock transaction? A.—Yes.

Q.—Then that left you \$80,000, how did you divide it? A.—\$30,000 finally in the Bank of Montreal, and \$30,000 in the Traders' Bank, where it was originally deposited and \$20,000 in the Dominion Bank.

Q.—And where did you leave the \$29,220? Did you cheque that out at once to the parties? A.—That was deposited in the Dominion Bank and chequed out immediately, I think.

Q.—To the persons from whom you got stock? A.—Yes.

Q.—Why did you distribute that \$80,000 around in that way to different banks? A.—It is a practice I always do, I do not know that there is any special reason for it.

Q.—Had you a bank account in the Bank of Montreal? A.—Some years ago I had.

Q.—Had you at that time a bank account in the Bank of Montreal?

A.—No, not at that time.

Q.—You had in the Dominion? A.—Yes.

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Q.—Had you in the Traders'? A.—No.

Q.—Why did you go to the trouble of dividing the money up in that way? A.—I considered it was a large deposit and I preferred to divide it up as I wished.

Q.—So as to save the risk of losing the money? A.—Not necessarily, I did not attribute any risk to money in the Dominion Bank.

Q.—Did you want it known that you had that amount of money at the time you were making the transfer to the People's Life? A.—My banking arrangements had nothing to do—

Q.—Did you want it to become known? A.—I had not any objection to it being known.

Q.—Did you divide the Traders' Bank up into thirty thousand, thirty thousand and twenty thousand before you transferred it to other banks, that is the \$80,000? A.—My recollection is that that was divided into \$30,000, \$30,000 and \$49,220.

Q.—And then when you divided it again, you divided the \$49,220 into two amounts? A.—No, I did not do that, I deposited that all in one sum into the Dominion Bank, that is my recollection of it. If you attach any importance to it I will get the bank book.

Q.—Did you see Mr. Stratton with \$10,000 that time? A.—No, I did not.

Q.—Did you know he had \$10,000? A.—I did not.

Q.—Do you swear that? A.—I do swear that.

Q.—Did you know he was getting \$10,000 out of the \$90,000? A.—I did not.

Q.—Where did you think the other \$10,000 was going to? A.—What other \$10,000?

Q.—The \$10,000 you had bargained for and were to be paid for two months? A.—I did not think Mr. Stratton had got it.

Q.—Who did you think had got it? A.—I did not know anyone had it.

Q.—You had no idea that that \$10,000 was taken by Mr. Stratton? A.—No.

Q.—When did you discuss that \$90,000 or \$80,000 with Mr. Stratton after that? A.—After the transaction had been closed?

Q.—Yes? A.—I do not think it has ever been referred to.

Q.—It was referred to since this? A.—I do not think so, we have never gone into the matter again.

Q.—Not going into it again, but mentioning it? A.—I spoke to Mr. Stratton here to-day about it.

Q.—Have you spoken to him before to-day since that time? A.—I do not think so.

Q.—Will you swear you have not? A.—To the best of my recollection.

Q.—What was the conversation to-day? A.—I referred to the matter of the \$80,000 and \$90,000, and told him that I had heard his evidence here before I left.

Q.—Then you brought the subject up? A.—Yes.

Q.—In connection with the evidence he gave here yesterday? A.—Yes, I only mentioned, perhaps it was an improper thing to do, but I had heard the evidence here before I left, and I said that his recollection was substantially the same as my own except that I did not think the exact time he had mentioned at first was correct according to his statement, that is all. I should like to say further that I had no idea that I was wanted yesterday. I understood you to say you were through with me, else I would not have gone away.

Q.—We left messages at your office afterwards to a different effect? A.—Yes.

Q.—When you were discussing the matter with Mr. Stratton on the 12th did you tell him how much you were paying out? A.—I think not the 12th.

Q.—When did you tell him that? A.—I think before that that I had explained to Mr. Stratton that I was being required to pay considerable sums out.

Q.—How much did you tell him? A.—I do not think I told him the amounts.

Q.—What was the object of telling him that? A.—Well, I thought that it was fair for him to know I was not getting all the money he was paying.

Q.—And I suppose as a reason why he should pay as much as you were asking him to pay? A.—I did not have that object in view exactly.

Q.—What would influence you? A.—That would be the effect of it.

Q.—Did you tell him to whom you were paying it? A.—I may have mentioned the names of some of the directors to whom I was paying.

Q.—I want to know whether you did tell him? A.—As to the exact details that I gave him I could not say.

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Q.—Did you tell him you were paying something to the people you were getting the stock from? A.—Yes.

Q.—That would be the directors? A.—Yes.

Q.—So that Mr. Stratton knew from what you told him you were disbursing part of this money to the rest of the directors of the Home Life? A.—I think he did.

Q.—Can you say what impression he would naturally get from you as to the amount that was being disbursed in that way? A.—I think he would have gathered that I thought it was a large portion of the moneys being received.

Q.—What portion? A.—I do not know as to the portion.

Q.—Say \$50,000? A.—I do not think so, I think he knew I was getting more than that.

Q.—Would he think you were paying out \$40,000? A.—As a matter of fact I paid out more than \$40,000, didn't I?

Q.—That is on the stock too? A.—Yes, the stock and the bonus.

Q.—But then Mr. Stratton got the idea no doubt you were paying out a great deal more than you did pay out? A.—I do not think I would have endeavored to convey a false impression.

Q.—In putting through a transaction like that you would not be very careful? A.—I should certainly try to be.

Q.—Did you try to give Mr. Stratton some exact idea of what you were paying? A.—I do not think so.

Q.—Were you trying to give him some inexact idea? A.—No.

Q.—What were you trying to do? A.—I do not think I was trying to do anything only to give him information of the transaction.

Q.—Why did you not tell him the amount? A.—I was not trying to mislead him.

Q.—I want to know what idea Mr. Stratton would get as to the amount of money you had to disburse out of the \$80,000, eliminate the question of stock entirely, of the \$90,000 originally? A.—I cannot tell you what idea he got.

Q.—No, no, tell us what inference — A.—The idea I tried to convey?

Q.—Yes? A.—I presume I tried to convey the facts so far as I gave him the information exactly as they were.

Q.—You would not try to tell him exactly what you were paying it out for for fear he might know, you would

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(A. J. Pattison, E'xd.)

not tell him the amount, is that what you mean? A.—I do not think so.

Q.—Did you not want him to think you were paying out a good proportion of the \$90,000? A.—I did not want Mr. Stratton to think I was paying out more than I was.

Q.—Did you not want him to think you were paying out a large proportion of the \$90,000? A.—I think not.

Q.—Did you tell him "This is not all profit, I have got to pay a good deal of this out"? A.—I may have used words to convey that meaning.

Q.—And is that before the amount of \$90,000 was fixed? A.—Certainly, before it was paid.

Q.—Before it was fixed? A.—Yes, it was fixed when it was paid.

Q.—Before the \$90,000 was fixed? A.—Quite so—no, I don't think it was.

Q.—When did that conversation come on, it would not come up after you had fixed on \$90,000? A.—The amount was fixed before any definite arrangement was made for the sum Mr. Stratton was going to pay, the \$90,000.

Q.—You were telling Mr. Stratton, "Understand, this is not all profit: I have to pay out a good deal," I want to know whether you were telling him that before or after you have agreed on the \$90,000 which you say was a month or six weeks before the deal went through? A.—That is my recollection, before the deal went through that the \$90,000 was fixed.

Q.—Starting from that did you have that sort of conversation with Mr. Stratton before that period of 6 weeks or two months? A.—No, it would be subsequent to that.

Q.—So that after you had agreed with Mr. Stratton on \$90,000 you were telling him, "Remember, I have to pay out a good deal of this, it is not all profit"—tell me why you were saying any such thing to him unless he were asking you to re-pay or refund or divide something? A.—I do not know that there would be any special object in that; I may say to you that the negotiations which followed with the different shareholders at more than one time promised to prevent the acquisition of the People's Life business altogether.

Q.—And you were telling Mr. Stratton— A.—I may have discussed that with Mr. Stratton at that time.

Q.—Is not this the fact that you were telling Mr. Stratton, "Remem-



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ber, I have got to pay out some of this money" and you were telling the directors of the Home Life, "Remember, I do not get all this, Mr. Stratton gets some back," is not that the fact? A.—No.

Q.—Were you not sawing one off against the other that way? A.—No; I think I said to the directors I would have to make payments or make a payment outside of the amounts they received.

Q.—That is something you did not tell us before? A.—I have told you just now I did make a payment outside.

Q.—I am not asking you anything about what payments you made, but you did not tell us before that you told any of the directors that you might have to make a payment outside of paying them? A.—I say I might have made that statement.

Q.—Did you make that statement? A.—I won't swear I did.

Q.—Will you swear you did not make that statement? A.—No.

Q.—Don't you think you did? A.—You have tried to imply I have done so; there was a good deal of discussion with the directors and I am not prepared to follow every word that was said to the directors, nor the inference they might draw.

Q.—Did you not say to the directors that "I have to pay something outside of what you people get"? A.—I may have said that, which was true.

Q.—Did you mention any person's name? A.—I do not think so.

Q.—Will you swear you did not? A.—I would swear I did not.

Q.—Will you swear you did not mention Mr. Stratton? A.—Yes.

Q.—Did you mention Mr. McPhillips' name? A.—I do not think I mentioned any name.

Q.—Did the other directors know that Mr. McPhillips brought you and Mr. Stratton together? A.—I do not think so.

Q.—Did not the other directors know specifically of Mr. McPhillips' payment? A.—Not to my knowledge.

Q.—You told no person that you were paying Mr. McPhillips money? A.—I do not think so; I may have mentioned it to Mr. Firstbrook.

Q.—You may have mentioned you were paying Mr. McPhillips money, and told of the real transaction with Mr. McPhillips? A.—I may have mentioned it.

Q.—And then with directors generally you may have told them that

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you had to make some payment outside of what they were getting? A.—I may have done that.

Q.—And you have said before that the directors might infer from what you said that you were making payments to Mr. Stratton? A.—You place that inference on it.

Q.—You say they might have inferred that? A.—They may have inferred that.

Q.—Have you found the report made by actuaries in connection with the People's and Home Life amalgamation? A.—I have never seen any such report.

Q.—Because no person seems to know where it is? A.—I do not understand you. Do you mean the report which was made prior to the passing of the resolution by the directors of the Home Life?

Q.—Yes? A.—Well, I would think that the notes ought to be in the Home Life office.

Q.—Would it be a formal report or just notes of a report? A.—I think it would be a formal report by Mr. Fitzgerald and notations by myself.

Q.—You have not got it in your possession? A.—No.

JAMES R. STRATTON, re-called by

MR. TILLEY: Q.—Is this the book for your account in the Bank of Montreal at that time? A.—Yes.

Q.—And this account shows the deposit of \$10,000? A.—It does.

Q.—When was that deposited? A.—On the 14th October, 1905.

Q.—When was this amount written in, \$10,000 in the credit column? A.—I telephoned for the books yesterday as arranged with the counsel to my book-keeper, and I told him that on the 13th or 14th there was a deposit of \$10,000, and he brought me the book up on the evening train last evening.

Q.—Did he come up with it himself? A.—He came up with the two books, and he said it is rather strange that when the deposit was made it was entered in the books of the bank of Montreal and it is entered in my account, but the copying clerk in copying it did not enter it in the bank book at the end of the month. He had to go to the bank yesterday afternoon to get it inserted. But you will see that the totals are correct and the balances.

Q.—So that \$10,000 that is now shown in the bank book in the credit

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column for October 14th was entered yesterday? A.—After I telephoned.

Q.—Don't you think it would have been better to leave the book as it was when you were asked to produce it? A.—I did not know anything about it. I telephoned him to bring up the books.

Q.—Did you tell him what it was for? A.—I told him it was to show I had deposited \$10,000 in the Bank of Montreal on the 13th or 14th and I wanted the deposit book showing that deposit.

Q.—And he got the book, and he got the bank to show the deposit? A.—He turned up the book and he saw it was not entered, and he took the book of his own accord and had the bank enter it.

Q.—Is he here to-day? A.—No, he went home on the ten o'clock train last night.

Q.—Did he come up specially to bring the two books? A.—Yes.

MR. McLAUGHLIN: There ought to be no misunderstanding about this; the balance shows distinctly it was entered? A.—Yes, absolutely.

MR. McLAUGHLIN: If there is any doubt about it at all bring the accountant from Peterboro.

WITNESS: There is no doubt about that, that is correct.

MR. TILLEY: The balance here balances, but that particular \$10,000 was not shown in the bank book? A.—I understand it is shown in the bank account, not in this pass book, but that is an error in the copying clerk in copying down.

Q.—Not discovered until we ask for it A.—No.

Q.—Although the book all the way through shows the checkings that have been made to see whether it comes out right? A.—Balances.

Q.—Every balance is checked? A.—Yes.

Q.—Every check that is issued has a stroke opposite it? A.—The checks are all right, and the totals are all right.

Q.—In fact every cheque has a check mark on each side of the amount all the way through the book from beginning to end, and that \$10,000 was not discovered until we asked for the book yesterday.

Q.—Were there any instructions to leave that \$10,000 out of your bank book? A.—None whatever, why would it be?

Q.—Never any discussion about it at all? A.—Never the slightest.

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Q.—The \$10,000 missed, although the book has been checked in that way since—

MR. McLAUGHLIN: There is a good deal said about this and it is a very serious matter. I would like the Commission to thoroughly understand that that \$10,000 is carried out in the balance. The balance adds up; I do not see why this matter should be repeated and reiterated over and over again.

MR. SHEPLEY: Mr. Stratton has said it once, you have said it twice and Mr. Tilley has said it once.

MR. McLAUGHLIN: Mr. Tilley has emphasized it a great many times that everything else is checked and this entry was not made until it was called for—mentioned it for no other purpose than to endeavor to create an inference that Mr. Stratton had done something wrong.

MR. SHEPLEY: You must not think that.

MR. McLAUGHLIN: There is a little freedom of speech, you know.

MR. SHEPLEY: There seems to be a good deal.

MR. McLAUGHLIN: The book does not contain the proper entry it should contain, that is the pass book, that is all, that does not prove anything.

MR. McLAUGHLIN: And the balance brought out shows it must have been deposited that day.

MR. SHEPLEY: There is a cheque issued on your account on the 11th October for \$10,000, do you know what that cheque was for? A.—Yes, I asked the bookkeeper what it was for; it was a cheque transmitted to my account at the Dominion Permanent.

Q.—Here in Toronto? A.—Yes.

Q.—So that on the 11th October a cheque was issued to you and deposited in the Dominion Permanent Loan Company, Toronto, against your Peterboro account? A.—On what date is that?

Q.—That is to say it would reach the Peterboro account on the 11th? A.—Yes, I would suppose so.

Q.—Then it must have been deposited here I suppose on the 8th or 9th? A.—I suppose on the 8th or 9th.

Q.—Do you remember that \$10,000 cheque? A.—No, I frequently deposited cheques that way.

Q.—And there is no connection between that cheque and this transaction? A.—None whatever.

Q.—It is entirely distinct; have you looked at the Dominion Permanent

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books to see if there was a deposit there? A. I have not looked at anything. I telephoned down for these books, and I know the transaction thoroughly, and there is no misconstruction can be placed on anything so far as I am concerned.

Q.—Tell us how that \$90,000 was raised, \$80,000 of which went to Mr. Pattison, and was divided as he states, and \$10,000 of which is deposited in your bank account at Peterboro? A.—I have explained that.

Q.—You have, but it does not accord with your bank? A.—Yes, the understanding with Mr. Pattison was Mr. Pattison was to receive \$90,000

Q.—Just listen to this: you got \$90,000 from the Traders' Bank. (Reads from page 2172, column 1, of the evidence). "Was the cheque on the Traders' Bank A.—The cheque was on the Bank of Montreal, Peterboro." There is no cheque charged up against you in the Bank of Montreal, Peterboro, for \$90,000? A.—I have explained that to you. I told you I went to the Bank and I gave them my cheque for \$90,000 expecting—

Q.—I asked then and I ask you again, on what bank was that cheque, that \$90,000? A.—I told you that bank cheque was on the Bank of Montreal at Peterboro.

Q.—Where is that shown? A.—It did not go through; I said I arranged with the bank for \$90,000 temporarily and that I received the \$90,000 on my cheque, that I had retired that cheque with the agreement, with Mr. McCutcheon's note and the assignment of the agreement entered into by the Home Life Association.

Q.—Then I understand now that that cheque on the Bank of Montreal, Peterboro, was never cashed at Peterboro? A.—Never cashed at Peterboro.

Q.—That is the first time I understand that—

MR. McLAUGHLIN: There seems to have been some misunderstanding about it, because it was distinctly said by Mr. Stratton before, and if you look up the evidence you will find it there.

MR. TILLEY: We had not better discuss what the evidence shows, but it is there whatever you did say.

Q.—You gave to the Traders' Bank a cheque on the Bank of Montreal, Peterboro? A.—Yes.

Q.—On the 12th? A.—Yes.

Q.—In the afternoon? A.—I would not say whether it was the morning or around about noon.

Q.—You told us that you got the money when Mr. Pattison was with you at the bank? A.—I got the money during the day.

Q.—You said before you got it when Mr. Pattison was with you? A.—I cannot remember every little detail, but I got the money during the day; it may have been before 12 o'clock, it might be one o'clock or two o'clock; I had the money at any rate.

Q.—Do you say now that your former statement might not be correct, and that it was before Mr. Pattison went to the bank that you got the \$90,000? A.—I had the \$90,000 before Mr. Pattison went to the bank.

Q.—You say now it was before Mr. Pattison went to the bank? A.—Yes, there is no doubt about that.

Q.—Then you had the \$90,000 in your pocket? A.—I had.

Q.—In bills? A.—In certificates.

Q.—What certificates? A.—Thousands and dollar certificates.

Q.—Certificates of what, some bank A.—The Dominion.

Q.—Dominion certificates for \$1,000? A.—Yes.

Q.—You mean Dominion of Canada certificates? A.—Yes.

Q.—Where did you get those? A.—From the Traders' Bank.

Q.—You had how many of them? A.—I could not say exactly, whether they were five hundreds or thousands.

Q.—You do not remember now? A.—I do not remember exactly, there were some 1000's and there may have been some 500's.

Q.—Making in all \$90,000; any more? A.—No.

Q.—Where did the \$29,220 come from? A.—That was a cheque issued by the People's Life on an advance to Mr. McCutcheon for stock that was taken over from Mr. Pattison, I think it was \$29,220 some odd dollars.

Q.—Was that in the shape of a cheque? A.—No, in the shape of cash drawn to retire his stock.

Q.—Who cashed the cheque? A.—I had the money, I do not know whether I cashed it.

Q.—Where did you get the money? A.—From the Dominion Permanent.

Q.—You had at the Traders' Bank then more than the \$90,000? A.—I had.

Q.—How much more? A.—I must have had the \$29,220 that was paid Mr. Pattison for the stock.



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Q.—So that you had over \$119,000?  
A.—Yes.

Q.—And had it all in cash A.—  
Yes.

Q.—Why did you have it in cash?  
A.—Mr. Pattison wanted it cash.

Q.—Did he say he wanted it cash?  
A.—No, he did not say, but he intimated he would prefer it in cash I think; I do not exactly remember that.

Q.—Do you think he told you he would like to have it in cash and then you went with Mr. Pattison you now say to the bank with the money ready to pay him? A.—So that there will be no misunderstanding, the People's Life and the Home Life were sitting concurrently, there was a meeting of the People's Life, and there was a meeting of the Home Life, and the necessary formalities or documents were being passed by both, and after the conclusion of the arrangements by the People's Life I went over to the Home Life, and I saw Mr. Pattison as per arrangement with the Home Life, and I endeavored to make the best arrangement I could for the Home Life and the People's Life combination. Mr. Pattison expected to get \$90,000, and I intimated to him it was impossible, not probable, that the arrangement could be carried through if he insisted on \$90,000, and his Board was there awaiting the meeting of our Board to carry through the understanding and arrangement. Mr. Pattison and I walked out then, and in walking down we walked towards the bank and into the bank, and in mentioning the matter to Mr. Pattison he thought the arrangement should be carried through with the \$90,000. I told him I thought \$80,000 would be

Q.—All that could be arranged, in connection with the matter.

Q.—All that could be arranged, what did you mean by arranged A.—That would be given for the contract to Mr.——

Q.—Did he understand you were paying the money? A.—No, I do not know what understanding he may have had about it; I did not carry on the negotiations with him.

Q.—Yes? A.—Well, the negotiations with regard to the details were carried on by Mr. Warren.

Q.—Did Mr. Pattison understand you were paying the money yourself or not? A.—I do not know what Mr. Pattison understood, I do not think Mr. Pattison would understand that.

Q.—So that we start with that proposition that you think that Mr. Pattison would understand that the money was coming from some person other than yourself personally? A.—Oh yes, as a matter of fact in the agreements that was drawn—

Q.—Answer the question; you knew he was paying out part of the money to other directors? A.—No, I say I did not know he was paying any director anything other than Mr. Firstbrook for his contract.

Q.—Did you think he would be able to get all these directors to resign without paying them something? A.—I had no thoughts about it. He said they would meet his wishes in the matter, they had always been agreeable.

Q.—You contradict Mr. Pattison? A.—I do not contradict him, Mr. Pattison is mistaken.

Q.—You went down to the Bank and— A.—I arranged with him for the \$80,000, and I paid him for the stock. He handed over the certificates of the whole thing.

Q.—Let us have that part of the transaction and get back to the Bank transaction; you say you had \$90,000 on your cheque, and the cheque stayed in the Bank for a day? A.—It may have been a day or two.

Q.—Did you get it back? A.—I did.

Q.—What did you do with it? A.—I tore it up at the time, it was of no value.

Q.—In the meantime, between the receipt of the \$90,000 by you and the tearing up of the cheque you had placed in the Bank Mr. McCutcheon's obligation to pay? A.—I had.

Q.—The Bank had made a loan then of \$90,000 to Mr. McCutcheon.

Q.—That \$90,000 retired the \$90,000 you had got on your cheque? A.—Yes.

Q.—So that that \$90,000 was out of the way? A.—Yes.

Q.—That transaction with Mr. McCutcheon was done the day after you got the \$90,000 and retained \$10,000? A.—Yes.

Q.—And you had the \$10,000 in your pocket? A.—I had.

Q.—And it was not till that same following day that you put the transaction through with the Home Life? A.—It was on the 13th, on the afternoon of the 13th.

Q.—And you say from the 12th, when this transaction was closed, until the afternoon of the 13th, and

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yet you say you put the transaction through at \$90,000, you kept \$10,000 of it, took it down to Peterboro, and put it in the Bank? A.—Yes.

Q.—With no intention to keep it? A.—With no intention to keep it whatever.

Q.—When it got to Peterboro it was placed to your credit in an account that was overdrawn to the extent of about \$16,000? A.—It was placed in my account in the Bank of Montreal, to the credit of J. R. Stratton.

Q.—Your account was overdrawn over \$16,000? A.—That does not make any difference if it was \$25,000.

Q.—Your account was overdrawn at that time over \$16,000? A.—Yes.

Q.—And you took the \$10,000 down from Toronto to Peterboro and put it to the credit of that account? A.—Yes.

Q.—And it has remained there ever since? A.—It is remaining there as I explained to you and the Commission; the arrangement made was \$80,000, and as soon as this Commission arose, as soon as the Investigation had taken place, the arrangement would be carried out and the \$10,000 applied, because stronger influences and more insinuations would have been made if there had been any change in the transaction than perhaps are applied just now. The transaction was a personal one, and one of my own in connection with the matter.

Q.—Is there any other explanation or any other statement you want to make? A.—That is all.

MR. McLAUGHLIN: I wish to read just a paragraph of Mr. Stratton's evidence yesterday, because it has been denied by Counsel to-day.

Mr. McLaughlin reads from the evidence of Mr. Stratton on page 2171, column 1.

"Q.—I asked for the cheque for \$80,000 with which you said you paid the amount to Mr. Pattison? A.—Yes.

"Q.—Did you get it? A.—I think I said last week, when under examination, that I gave my cheque to the Bank and the Bank gave me the money. I subsequently retired the cheque with Mr. McCutcheon's note and the assignment of the agreement and tore up the cheque. It was a mere temporary matter."

MR. McLAUGHLIN: That is exactly what Mr. Stratton has stated over and over again.

JUDGE MacTAVISH: Does that close the Home Life in the meantime?

MR. TILLEY: For the present, subject to asking Your Honors to hear any further evidence at any time we think it proper.

JUDGE MacTAVISH: The same rule as before.

#### THE INDEPENDENT ORDER OF FORESTERS.—Continued.

Examination of DR. ORONHYATEKHA resumed.

MR. SHEPLEY: We had reached that part of your campaign letter in which you were speaking of the objection that you were not subject to Government inspection? A.—Will you allow me to put this—you remember there was a discussion about the question of the raising of the insurance being submitted to the Supreme Court. If you will read it for me, that is a copy of the Minutes of the Supreme Court, and that is my report to them.

Q.—Of what date A.—1891.

Q.—That would be four years before that legislation was introduced in 1895? A.—Yes.

Q.—This is in part of your official report to the Supreme Court? A.—Yes.

Q.—(Reads) "Five years ago I submitted the following also for your consideration:

"When we reorganized the Supreme Court five years ago we had but a very small membership in good standing—less than four hundred. It was not thought safe to create then more than a \$3,000 Endowment Benefit. Indeed strenuous efforts were made to restrict our Endowment Benefits to \$1,000. We are now strong enough numerically and financially to complete the foundations, as it was originally contemplated, by the creation of an additional \$2,000 benefit."

"It seems to me that the raising of the limit of endowment benefits, from \$3,000 to \$5,000 would greatly strengthen our Order, and I am of opinion that our financial strength at the present time justifies in making the change now. I accordingly recommend that the Constitutions and Laws be so amended as to provide for \$4,000 and \$5,000 additional endowment benefits, and that the same be put into operation as soon as the necessary amendments to our Act of "Incorporation can be obtained."

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Q.—That is what you had in your mind this morning, and had in mind when you wrote this letter, when you said that the matter was passed upon without any dissentient voice by the members of the Supreme Court? A.—Or rather it had been under the consideration of our Body for eight years. I think I said in a letter; as a matter of fact this shows it was for nine years.

Q.—I won't of course cast any doubt upon the statement if you choose to make it, that your report was adopted unanimously by the Supreme Court? A.—I think it was. There is no record to show it was not at any rate.

Q.—Then you are dealing with this objection, and you say immediately after what we were reading this morning (reads from Exhibit 33): "You can understand how unfair it is in the first place to object, etc.," (reads down to the words "purposes the expenditures are made.") Is not that a little too microscopic when you say every dollar? A.—No sir, every cent; every cent that we received and expended we at that time published in detail.

Q.—Down to the smallest details? A.—Yes.

Q.—That would be perhaps controversial? A.—It cannot be because we will show you the record. Since then of course we have modified it. I do not say it is done now.

Q.—(Continues reading from Exhibit 33.) "Besides all this once a year we make returns to the Insurance Departments of Ontario, etc., (reads to the words "is attached hereto.") You of course nowadays make many more returns than you did in those days? A.—Yes, to many more States.

Q.—(Continues reading from Exhibit 33 down to the words "required of us any more than of assessment companies.") That is a little inaccurate as to their being required to deposit the Reserve with the Government? A.—Yes.

MR. HUNTER: It will be true of the English or foreign companies.

WITNESS: What I should have said there is "than of any other fraternal societies."

MR. SHEPLEY: You are objecting not simply to the deposit of the legal reserve, but to the making of the legal reserve? A.—Quite so.

Q.—There is the other inaccuracy which you have just noticed in regard to the assessment companies,

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you meant friendly societies? A.—Fraternal societies.

Q.—Assessment companies are required to maintain a reserve? A.—Yes—excuse me, I think not in the assessment companies of Canada, because the Mutual Reserve fund and the Provincial Provident and other assessment societies of that kind are not required to maintain the legal reserve.

Q.—Then you go on to say: "In the protest which the superintendent of insurance filed (reads down to the words, "required of a reserve.") Then you deal with the question of why reserves are required of old line companies. "The reasons why they require a reserve, etc. (reads to the words "agreed to be paid at the start.") Is that in accordance with generally received insurance principles? A.—Yes.

Q.—As you understand it? A.—Yes, not simply as I understand it, but it is so.

Q.—I quite understand you said it is so. (Continues reading.)

Q.—"Let me illustrate my meaning by an example (reads to the words "five years of a policy"). Is that in accordance with received insurance principles? A.—It is confirmed by this very statement in this very article by Mr. Blackadar and is accepted as a proof by every actuary, that owing to the medical selection the cost of insurance is very much less during the first five years, some say as long as ten years that the medical selection affects the rates.

Q.—What I had in mind was your statement that it is claimed the actual cost as a rule is only 50 per cent.? A.—About that.

Q.—Not of the premium but of the estimated cost? A.—50 per cent. of the estimated cost. The premium usually corresponds with the estimated cost.

Q.—It has loading, you know. "At the end of the first year the company has \$89.50, etc." (reads to the words "has been given"). Then you sum up at the end of his fifty-second year when the estimated cost has risen to \$168.60 there will still be a balance of one dollar and ten cents of the annual premium unused for the purpose of present insurance? A.—Yes.

Q.—Then after that the cost increases? A.—Yes.

Q.—Then we will pass over the table in which you deal with this illustration of yours, spreading it out



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in a table. "Not until Smith is 59 years old is any portion of the reserve which he has been paying to the company," etc. (reads to the words "life of the policy"). Then you say "that under such circumstances it is proper and right that insurance companies should be required to keep," etc. (reads to the words "of the life of the policy"). I would like to have it from you before I deal with this part of the letter which explains why an association like yours should not be required to maintain the reserve, I should like you to give us that first before we deal with the letter? A.—How do you mean?

Q.—Give us your reason or reasons for making the contention that in respect of business like yours, a system like yours, no reserve should be compulsory? A.—Because of the fact that we pay no surrender values, we do not contract to pay any surrender values, and therefore we do not require the excessive premiums in the earlier years. What we require is a premium rate in the first year exceeding the cost of risk only by a small sum, so that in after years, just like the old line companies in principle, we can carry that policy without calling for more premiums from our membership; and then the cost of management expenses enters, the element of calculation as to the cost of giving insurance to fraternal members; then again we have no dividends to earn for stockholders, which also is an element in the reduction of the cost. As admitted by all actuaries, the medical examination reduces the cost of policyholders, as just referred to by you, to 50 per cent. of the premiums collected up to five years, and as I said it is admitted by some authorities that this modification of the cost of insurance extends not to five years, and not to six years, or rather to seven years as admitted by Mr. Blackadar in his article, but to ten years or over.

Q.—Will you pause there just a moment, because I am not quite sure that I quite understand this last proposition. What is it you say that persists to ten years instead of seven? A.—The modification of the cost of risk by reason of the medical selection of the members. That is very clearly brought out, that is that there is a difference between the Blackadar rates and the Hunter rates.

Q.—What do you refer to as the Hunter rates? A.—Mr. Hunter, the Registrar of friendly societies here in

Toronto, computed a rate I think from the Canada Life experience, but it excluded the first five years of every policy, and that exclusion of the first five years, eliminating the benefit accruing from a medical selection during that period makes a difference between the Blackadar rates and the Hunter rates, makes a very considerable difference, demonstrating that that claim, the medical selection, makes a difference in the rates for a number of years, about which the premium rates of old line companies take no account, they ignore that altogether. They compute their rates as if it would cost them for the first year the same as estimated for other years, and the Blackadar rates allow for that five years, and I wanted to show the Commission the actual difference of allowing that during only five years.

Q.—You say that does not sufficiently recognize the value in the way of diminution of cost of medical selection? A.—Yes, that no reduction of the rates by reason of these circumstances is taken into consideration by actuaries when forming a premium rate for an insurance company, and therefore the fraternal societies which give to the policyholder every benefit of that kind can carry on their insurance at a much lower rate, and have as much money to meet the obligation as the old line companies who do not make these allowances.

Q.—You were going to make a comparison between the two rates? A.—Yes. At age 21 Hunter rates \$10.91, that is excluding the first five years of benefits accruing from medical examination. The Blackadar rate does not exclude the benefits and is \$10.23. The Hunter rates \$12.42, \$11.62—perhaps I can look at that. Age 21, what you say is that the Hunter rate, which has excluded the advantage in respect of the first five years, is \$10.91, and the Blackadar rate, which takes those into account, is \$10.32. At age 25 the figures are \$12.42 and \$11.61; do you want me to give more? A.—That will be sufficient to show the Commission that there is a difference.

Q.—The difference is slight? A.—When you get 200,000 then these will amount to quite a sum in the year, and will be a factor in reducing the premium rates.

Q.—Is that all you wanted to say about that subject? A.—Oh no. Then

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the old line companies accepted impaired lives.

Q.—You mean they do it deliberately? A.—Certainly, they either charge a higher rate of premium or they add to a man's years a certain number of years.

Q.—If that is skillfully done and done so that the impairment is atoned for that ought not to make any difference, ought it? A.—Yes; you say if it is skillfully done, is it done?

Q.—I don't know? A.—Neither do I. I do not see how it is possible for a doctor or a company to estimate that by reason of your impaired health you are going to live twenty years; as a matter of fact that very impairment might kill you in ten years.

Q.—Let me put an extreme case, I want to see whether that does bear the test; supposing I have an expectation of life of 20 years and no more, and supposing they add 20 years to my age and make me pay the premium, what then? A.—Why, they will probably have a considerable profit out of you.

Q.—That is, in other words, they would be charging such a rate as would compensate for the impairment? A.—Yes, but they cannot get such an excessive rate as that.

Q.—That is putting it too strongly, but I want to illustrate, I say if it is skillfully done so that you do compensate that difference ought to be eliminated? A.—Yes, it should, but it is not.

Q.—I suppose that depends upon experience and the result of observation over a great many years? A.—Whatever the actual experience be, it would increase the mortality rates, the death rate of the company, without taking into consideration the amount of the allowance they got out of running such risks, they actually increase the mortality rates of the company. Then those rates are taken and tried to be applied to us, who take only sound lives.

Q.—Let me see if I can put your explanation of that in such a way that it may be put in a nutshell. What you say is that although theoretically it is possible to admit the insurance of impaired lives in such a way as to compensate for the impairment, yet in practice, as experience has demonstrated, it is not compensated? A.—No, but the real issue is that it greatly increases the mortality rates of the company.

Q.—Pause one moment there. Would it do that, if, as you say, it may theoretically be done, it were in fact compensated? A.—It would not affect the matter how much—I am not talking about the amount of money they would get upon the lives, but I say it would increase the mortality rates. No question as to that; that if they take impaired lives, and ask, no matter how much more money to carry those lives, it certainly would increase their mortality rate and then those mortality rates are taken and placed against our mortality, which runs no risk of that kind, but takes only healthy lives.

Q.—Then you say, as I understand you, that the fact that any practice, whether it is in the insurance of impaired lives, or anything else, which increases the mortality rates, differentiates the tables upon which they work from your tables? A.—Certainly, if those tables are used for the purpose of showing that we are charging much less.

Q.—Now is there any other part of this paper that you want to refer to at the present moment? A.—No, I do not think so, but bearing upon the same question, they take no account of the profit from lapses; we do, in this way, that the profit from lapses is thrown back into the treasury, and thereby helps to meet our obligation, with a less premium rate.

Q.—That is what you referred to, is it not, when you said you gave no surrender values? A.—Yes, that is where the profit comes in. They do. We do not.

Q.—Then what you say is that the result of all that is that you are not called upon to maintain the legal reserve, because you have your surplus without it? A.—Yes, just to put it in a nutshell, although you said it was small, we could give insurance at Blackadar's rates by reason of our taking into consideration the benefit for medical selection.

Q.—For the first five years? A.—If you do not give that consideration, you could not give insurance and be on the same financial strength as ourselves, except at the Hunter rates, which is a per cent. higher than ours. The benefit of medical selection is small, and yet it makes that difference in the premium rates.

Q.—Just one question and we will go on with your letter. Will you explain to the Commission just how you arrive at the conclusion, what the

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process of reasoning is which excuses you from the maintenance of a reserve, because you do not attach a surrender value to your policies? A.—Well, the old line companies cannot get a cent more from policyholders than their original contract. When they have not enough money—I think that is the fact in Canada, but I know it is in the United States—when an old line company gets below a legal reserve it is considered to be insolvent. With us—at least with the Independent Order of Foresters—we can get all the money that is required to meet our claims.

Q.—How? A.—By extra assessment. The old line companies have no such powers.

Q.—Have we not strayed a little from what we were speaking about? I am speaking of the effect of your not having surrender values attached to your policy upon the necessity for maintaining reserve. We are getting a little away from that. A.—You asked me what were the things that I thought excused us from maintaining a legal reserve. Now this is the first thing, that we have a power to assess, and therefore we do not require the legal reserve which the old line companies are required to have.

Q.—That is a power which you have never exercised and never intend to? A.—No.

Q.—Never expect to? A.—No, never expect to.

Q.—May we not leave that out? A.—Very well.

Q.—Because if you do not need that power, and do not intend to avail yourselves of it, there must be some other reason? A.—No, that is the chief thing, that we say we ought not to be required to maintain a legal reserve.

Q.—Because of your power of special assessment? A.—Because of our power to get more money, and the line companies have not power to collect a cent more from you from year to year, and in the next place the fact that we do not promise to pay surrender values is another factor why we should not be required to maintain a legal reserve, because we do not require it.

Q.—Both those you say affect your potential resources? A.—Yes.

Q.—In the one case you may assess and obtain resources that the line companies would not have? A.—Yes.

Q.—In the other case you get the benefit of all surrenders which the

line companies do not do. In the latter case you get the benefit of surrenders which the line companies do not get? A.—Yes.

Q.—Are those the principal considerations? A.—Yes.

MR. HUNTER: And the better mortality.

WITNESS: And the fact of not accepting the impaired lives. That is one. And our selection of policyholders is much better than the old line companies.

Q.—That is not a difference in principle. That is a difference in administration. I want to get the differences in principle? A.—Oh yes, there is a difference in the system itself.

Q.—I want to hear about that. I can imagine a better medical examination in company A than in company B. A.—Well, that is not all. With us the applicant has to pass the ballot of the local Court, and if he is leading an improper life he is not likely to pass that, and our members, if they become drunkards, to use a common term, can be suspended from the Order. There is no such reserve power held by old line companies to keep their membership in good health.

Q.—That is the old line companies cannot terminate their contracts, and you can? A.—Yes, under certain contingencies.

Q.—If a life becomes impaired through misconduct? A.—Yes.

Q.—Can you suspend or terminate the contract of a member if he falls ill without being a drunkard? A.—Oh bless you no, it is only when the member is at fault.

Q.—In the first place your medical selection you say is better because you add to your medical selection the ballot of the Court? A.—There are other things. We frequently get reports from our membership that such an applicant is not a healthy life.

Q.—That may happen to a line company? A.—Oh, very seldom. We get a thousand where they get one such case, because we get very many of those, which leads our medical referee—

Q.—To be more particular? A.—No, it gives him pointers to make enquiries into these allegations, and thousands of applicants are rejected under those conditions. These conditions the old line companies have not got, and cannot get, unless they institute lodges and Courts in which such information emanates.



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Q.—I accept that as you give it to me. Is it not possible that the lodge system may, if it is not wisely or strictly administered, prove a source of danger rather than of strength? A.—How?

Q.—Supposing a man is a popular man, and wants to join the Order, and has a great many friends in the Order, will they not be more likely to bring him in on a ballot? A.—But we still have all the checks the old line companies have.

Q.—You have the medical examination, and you add this? A.—Yes, and we have all these as extra checks.

Q.—And the other circumstance as you said is your power of suspension? A.—Certainly, and then if a member undertakes foolhardy or dangerous undertakings we can suspend him from the Order, which also affects the mortality in the Order in a very small degree.

Q.—I want you to illustrate that. What do you mean by that? A.—Supposing a man undertook to walk on a trapeze at our fair, which is a dangerous occupation, we would suspend him from membership.

Q.—If he went into— A.—Any occupation which would be extra hazardous.

Q.—He must not change his occupation? A.—No.

Q.—To one that is more hazardous? A.—No.

Q.—I do not know whether you will class ballooning as hazardous or going about in an automobile? A.—We are not unreasonable. Mr. Hunter says I should call your attention to the fact that the legal reserve is one thing which we think we ought not to be called upon to maintain, but we do certainly believe in a reserve.

Q.—In a reserve? A.—Yes.

Q.—And how do you arrive at that? What do you speak of as a reserve which is proper for you to believe in? A.—Every dollar that is not consumed in the paying of claims ought to be held in reserve, in case the Order came to a period when it was necessary to use more money to meet these claims than the premium rates amounted to.

Q.—That is you must not waste? A.—That is it.

Q.—And all that you can save by economy is what you ought to reserve? A.—Quite so. Would you allow me to hand this over to you. It is my report to the National Fraternal Congress, of which I was President.

Q.—How long ago is that? A.—In 1900.

Q.—Will you let me take that and when I have read it perhaps we will have some further discussion? A.—Yes. It deals with this matter of the difference in the different systems of insurance.

Q.—The letter proceeds: "Let me direct your attention once more to the statement of the Superintendent that assessment societies do not from the nature of their contract require a reserve." Then the clause in the contract is set out. Then you insert the clause in your constitution, the clause you have been referring to giving you power to assess? A.—Yes.

Q.—"This clause is identical with the clause set forth by the Superintendent of Insurance." (Reads down to "to exempt in the other case.") You put that very strongly? A.—Yes.

Q.—You make a strong case against the reserve, if the assessment company is to be exempt? A.—Yes.

Q.—Then you say there is much more reason to exempt the I. O. F. than the ordinary assessment company or society by reason of the fact that it now has a large accumulation of funds available for its policies, that it has to-day \$1,000,000 odd, and is better than the other assessment companies. That was the statement of your surplus at the date of this campaign? A.—Yes.

Q.—Then you deal a little more in detail with your system, not perhaps so fully as you did with me yesterday, as to the registration and certificate fees and the premium rates, and I pass that over. "Why then should the I. O. F. be called upon to put up a reserve when it is charged by our friends the enemy with giving insurance at less than cost." (Reads.) Then you submit another table showing the estimated cost of insurance in four of the best standard mortality tables, and the I. O. F. That is a comparison of your rates with these tables, and you say, "It would not be just or equitable for the Government to require from the I. O. F. the same legal reserve as is required from the old line companies." (Reads.) Now I pass by the next illustration, and I come to the most important part of your letter perhaps, the ability of the I. O. F. to meet its obligations. That is a subject which you foreshadowed in the earlier part of your letter as one you would have to deal with. A.—Yes.

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Q.—(Reads.) That seems to me to differ a little from the statement you made yesterday as to the method in which you computed your rates? A.—No, I told you yesterday, if I remember right, that we based our rates on the combined experience table at the age of entry.

Q.—I understood you to say your premium rate was arrived at by taking the table which gave you the cost of carrying insurance for one year only? A.—Yes, the cost at the age of entry, and for that year.

Q.—For the year only? A.—Yes.

Q.—With no right on the part of the person insured to extend the insurance beyond the year? A.—No.

Q.—That was the way that rate was arrived at? A.—Yes. That rate is only for one year, and we took that as being sufficient for our purposes to give insurance to our members for all time, and at this morning's session I think I told you that the old members who are paying that rate gave us a surplus of nearly a quarter of a million last year after meeting all the death claims arising within their numbers.

Q.—Let me go through this again. I want to understand it, and I am not so familiar with the insurance business as you are. I want you to reconcile, if you will, the statement which you have just made to me, and which you made yesterday as to the premium rate, with what is said in this paragraph? A.—What is that?

Q.—“The foundation principle of the Independent Order of Foresters is that its members shall be furnished insurance benefits upon payment by them from month to month of the cost of the benefit, whatever that may be.” (Reads down to the words “Institute of Actuaries of Great Britain.”) A.—Yes.

Q.—The cost of the benefit is the cost of the benefit for a whole life insurance? A.—Yes. The mistake there is that I did not say for one year. That is all.

Q.—That ought to have said, “the cost for one year”? A.—Yes.

Q.—It does not say for a single year? A.—No. I do not think it has ever been misunderstood. I thought that would be understood as the cost of risk for that one year. We adopted that as being quite sufficient for our order.

Q.—Did you say that the meaning of this is—and to an insurance man you thought it would mean—the cost for one year? A.—I think every insurance man would probably take

that as my meaning in this, although the words “for one year” are omitted. I say “the cost at age of entry.”

Q.—The cost of the benefit, if the benefit is a whole life insurance, the cost would be the cost of a whole life insurance? A.—The cost at age of entry indicates it is only for one year.

Q.—If the words “At age of entry” cut down the meaning of the other words to one year, then of course you are right? A.—I think so. I do not think how we could be mistaken. It has never been suggested to me that there has been a misunderstanding with reference to that.

Q.—Now, there is something in this table I want to call your attention to, and I want to compare it with the table you had in that little report you were good enough to give me this morning. In your table No. 3 you set out in one column the number of members, and in the second column the total surplus, and in the third column the total surplus per capita. Your membership has risen from 11,000 to 70,000, surplus from \$117,000 to a million and a quarter, and the amount of surplus per capita has risen from \$10.12 to \$16.94; that is in the years 1889 down to 1895? A.—Yes.

Q.—Now this table that you showed me this morning commences with 1894 and goes to—we will take it down to the present time—it comes down to 1905—it is really calculated up to 1910. During all those years your surplus is shown to have been steadily increasing? A.—Yes.

Q.—That is what the table shows? A.—Yes.

Q.—The rate per thousand of insurance in force rose till 1900, and then commences to fall away? A.—Yes, according to Mr. Blackadar's table.

Q.—Do you question the accuracy of that? A.—It is wholly inaccurate.

Q.—Why? A.—I do not know why.

Q.—Because it was not properly done do you mean? A.—Because he constructed a table in a way that actuaries always construct their table. If you will just allow me to quote the language of Mr. Ray—

Q.—You say he has adopted an improper principle in making up the table? A.—Yes.

Q.—Before you quote that just one other question. Have you prepared figures for the years since 1895 showing the total surplus year by year,

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and the amount of surplus per capita? A.—Yes.

Q.—You have those prepared? A.—Yes, I will give them to you presently.

Q.—That, I think, is not among the information which has been given me so far? A.—Yes, I think it is. Mr. Ray defines this method. He says with reference to questions like that, "But on the other hand the contracts have been fully valued upon the hypothetical basis of all assurances maturing by death at existing rates." That is not true of any company that has ever been formed.

Q.—That is not sound? A.—It is not.

Q.—Let me see— A.—That is all the insurers shall remain in the company until they die, eliminating the question of surplus entirely.

Q.—Whose work is that? A.—Mr. Ray's.

Q.—Who is he? A.—He is an actuary in London, England, who made our quinquennial reports.

Q.—How long has he been acting for you? A.—He was acting from that time down to about two or three years ago.

Q.—You are reading now—and I am quite willing to have the benefit of what Mr. Ray has said—from what is called the 5th schedule under the heading "Statement respecting liabilities under life policies of the Independent Order of Foresters made by actuary?" A.—I am reading from the quinquennial report. Every company in the United States must report every five years and have these policies valued, and this is our first quinquennial report.

Q.—That is for the purpose of your business in the United Kingdom? A.—Yes.

Q.—The date up to which the valuation was made is 31st December, 1897. The principle upon which the value and distribution of profits is made—what is that about?

MR. HUNTER: This heading is on the form of the Board of Trade returns.

Q.—That has reference to the dividends.

MR. SHEPLEY: Q.—Then he goes on to say: "The contracts of the Order are in the nature of renewable term assurances." That means year by year? A.—Yes.

Q.—Paying a term rate? A.—Not exactly a term rate. I think a 15 year term.

Q.—"Renewable term assurances at term rates, liable to assessment under the following clauses and provision." Then comes your power of investment. "The policies are valued on the one hand as term insurances where the unexpired term is taken into account, together with the full reserve"—(Reads down to "this is probably the truest available method?") A.—Yes.

Q.—"But on the other hand the contracts have been fully valued upon the hypothetical basis of all insurance maturing by death at existing rates, which ceased at age 70 without extra call, without regard to the effects of accession and secession of business." The first element which is excluded is "without extra call?" A.—Yes.

Q.—Is it not proper to exclude that? A.—He does not seem to think that is proper, that as it was in our system it ought to have been taken into account in any fair valuation.

Q.—That was his opinion? A.—And my opinion always has been that.

Q.—Your opinion was the same? A.—Yes.

Q.—That you have a right to base your computation of the reserve upon the circumstances which you profess never to want to use? A.—Exactly, nevertheless we may sometime want to use it, and it ought to be taken into consideration. I think I stated that before the Commission very strongly, that no intelligent estimate of the power of our premium rates can be given if you exclude consideration of our assessing power.

Q.—Now I will pass on to the other two things that are excluded. The method of which he complains, and which he criticizes; excludes also the effects of accession and secession of our business. It was his opinion that should not be excluded? A.—Yes.

Q.—And it is your opinion it should be excluded? A.—Yes.

Q.—Why? A.—The secession of members from every company brings a profit to the company. In our case it is thrown back into the Treasury, and on the face of it we can collect a lower rate of premium and will have just as much money to pay our claim as any—

Q.—What about accession? A.—The accession of members affect the mortality rate to a large extent.

Q.—The accession of members affects the mortality rate; that is the more fresh members you have the smaller your rate? A.—Yes. Well,



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now, in the consideration as a rule of old line companies, no account is taken of that; no credit.

Q.—Perhaps it is not unfair to say that Mr. Ray's criticism is aimed at the method of computing reserve which is the established method among old line companies? A.—Yes, as being inapplicable to our organization by reason of these differences; they do one thing and we do another.

Q.—Then he goes on to say that he has taken the latter course in order to conform to the requirements—(Reads.) A.—I wish you to emphasize that statement.

Q.—Did I not read it with enough emphasis? If you will leave this book with me I wish to go over it. A.—Very well.

MR. SHEPLEY: What the doctor wishes to have taken down as his testimony upon the figures shown in this as the ratio of the surplus per thousand of insurance in force is this: that whereas the Blackadar table is \$11.38 per thousand in 1905, the witness says the real ratio per thousand was \$45.50.

WITNESS: That is of the surplus.

MR. HUNTER: Mr. Blackadar's forecast was that much out.

MR. SHEPLEY: It was not necessary to say that, but that is where the doctor wants it now, in its place in the evidence.

Partly for the convenience of some of those other than counsel for the Crown who are engaged in the Commission, and partly for the convenience of some of ourselves, we ask your honors when adjourning to-night to adjourn till Tuesday morning.

JUDGE MacTAVISH: Yes, to meet at 10.30 a.m.

(The Commission then adjourned to Tuesday, 18th September.)

## SIXTY-EIGHTH DAY.

### MORNING SESSION.

Toronto, Tuesday, Sept. 18, 1906.

Examination of DR. ORONHYATEKHA continued:—

MR. SHEPLEY: I wanted to suggest in reading the last page or so of the evidence taken on the last day your Honours sat I was struck with what seemed to me to be an error, and I think it is entirely fair to the witness that it should be corrected. I do not think he said, certainly I do not think he intended to say, what the print makes him say. With your Honours' permission I will put it to him and see whether he desires to change it.

Q.—In discussing the Rea doctrine, as I may be permitted to call it, we spoke of what he had said as to the existing method of computing liability upon insurance policies? A.—Yes.

Q.—And he was complaining that under that system the extra possible premium as well as the effect of accession and secession of business, were excluded—you remember that, he said that ought not to be excluded? A.—Yes.

Q.—You are made to say this at page 2247:

"Q.—Now, I will pass on to the other two things that are excluded. The method of which he complains, and which he criticizes; excludes also the effects of accession and secession of our business. It was his opinion that should not be excluded? A.—Yes."

Q.—"And it is your opinion it should be excluded? A.—Yes."

WITNESS: Oh, no.

Q.—It was your opinion also that should not be excluded? A.—Yes.

Q.—You said you desired to make some modification or to revise some answer you had given? A.—I regard as a most important one, bearing upon the question of rates, for the fraternal orders, and I think when you asked me the question I was almost too tired to take in the importance of it and I would like to revise the answers, or probably the better term will be to supplement my answers on Friday on that question to the Commission. The first reason why the fraternal order should be allowed a lower rate than is called for by the Standard tables is the fact that the actuaries themselves are now agreed that insurance can be furnished at a less cost than the Hm. table. The last table compiled that I know of by the British authorities is called the Om. table, and the difference between the Om. table, I will just give it in brief, between the cost of insurance between the Om. table and the Government Standard table is at age 20 68 cents a year, at age 30 \$1.02, at age 40 \$1.41, age 50 \$2.49, age 54 \$3.33, that is an average of \$1.78 a year per thousand less by the Om. table than by the Government table. Obviously that if a society could carry on its business with that difference in the rates then the rates could be considerably lower than is in the Government standard. That is the first reason, which applies of course to the old line companies as well as the orders. The difference with the I. O. F. with

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its present membership would amount to \$435,071 a year.

Q.—The difference between what in the case of your order? A.—If the I. O. F. was called upon to pay the Government standard rates or the Om. the last table—

Q.—What you mean to say, if you apply the difference between these two tables to a number of people equal to your membership that is the difference it would make? A.—Yes.

Q.—You are not of course comparing it with your own rates— A.—The general effect, that is the insurance world has come to the conclusion that the Government tables are wrong.

Q.—You say the Government tables, that is A: The Hm. table, which is used by the Government as its standard, and therefore I call it the Government standard table. The old line companies are called to pay from 5 to 7 per cent., perhaps some of them a little higher and some of them a little lower, as renewal charges upon all old policies. The I.O.F. and the orders are not called upon to pay anything on that account. The insurance companies are called to pay dividends and interests upon the investments of their shareholders. There are no such charges against the premium rates of the I.O.F. and other fraternal orders, and these extra payments, which the old line companies were called on to pay accounts in part for the enormous difference in the cost of management in the institution. In the minutes of the National Fraternal Congress, 1902, page 116, occur the following comparative figures on the operation of four of the largest American companies and 51 of the fraternal orders affiliated at that time with the Congress: The policies written during 1901 by the old line companies, 331,647, while the fraternal orders wrote 628,000, nearly double the number, and the chief expense in connection with the work of insurance is in the securing of new members. Amount written \$775,000,000 by the old line, and \$736,000,000 by the fraternal orders, nearly even. Policies in force at the end of the year 174,000 for the giants, and three millions for the order. Amount in force, giants, \$4,361,000,000; fraternal order, \$4,922,000,000. Expenses for the year, giants, \$42,000,000, fraternal orders, \$5,000,000. Management expenses per policy, giants, \$24.58; fraternal orders, \$1.87. Management expenses per thousand of insurance, \$10.18 for the giants;

\$1.21 for the orders. With such figures as those there ought not to have been this difference in the management expenses, but there was. The management expenses of the old line companies were more than seven and one-quarter times the management expenses of the fraternal orders, and we say with such figures prevailing between the two systems the one system can be carried on with very much lower premium rates. I think that deduction is quite obvious. I thought I would bring the matter nearer home and compare the I.O.F. with one of the leading Canadian companies, and I will just give the figures. The I.O.F. number of new members secured—this is for 1905—29,000. Leading insurance company, 6,000. Amount of new insurance secured I.O.F., \$23,000,000; the old line company \$13,000,000. Total insurance in force I.O.F., \$248,000,000; the old line company, \$106,000,000. Total insurance or benefits paid, I. O.F. \$2,191,000; the old line company \$1,791,000. So that in that respect the management expenses of the I.O.F. ought to have been greater than the other, but as a matter of fact the I.O.F. expenses were nearly one-half, namely \$529,000 as against \$1,036,000. We say that all these figures point out the fact that the fraternal orders can be conducted upon much lower premium rates and still have the same amount of money to pay claims with. You quoted from the "Economist"—

Q.—I hardly quoted from it, I called the article to your attention? A.—Well, I mean that.

Let me call your attention to just a few lines that the "Insurance Observer" said of the I.O.F. long after the other article had been written: "Rightly or wrongly the order gives no bonuses and pays no surrender values. There are no commissions to be paid to agents and no dividends to shareholders, and when due account is taken of these facts we cannot see that the net premium available for accumulation is substantially different from the amount available for this purpose in old line companies."

Q.—What paper was that? A.—The "Insurance Observer" of London, England. I was told you could not buy an opinion by it for a thousand pounds a line, when I was trying to get an article in it.

Q.—Were you trying to get an article in it? A.—Surely, and I found a paper of that character ap-

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parently favorable to the I.O.F., and I tried to get some more matters in it.

Q.—You were trying to ride the free horse a little more? A.—Yes, I succeeded later on, and I will call the attention of the Commission to what we did get.

Q.—These explanations are interesting, but I do not want to stray away from the subject we were discussing, if you please? A.—All right, I just wanted to bring this little extract to the notice of the Commissioners to let them know that all the magazines in England do not coincide with the opinions of the "Economist." Then again in respect of medical selection, which I think I have already brought—

Q.—You have dealt pretty fully with that; is there anything you have not brought out, because you deal with that quite fully, and I do not want at all to curtail anything you want to say— A.—I will pass it over, because I have brought it in, but it is in here.

Q.—If you wish it we will put the compilation on record? A.—The difference when taking the first five years into consideration and a table striking out the first five years and thereby eliminating the benefits accruing from medical selection, a part of the benefits, because as I have already pointed out the effect of medical selection is claimed not to pass away until seven to ten years, whereas this is only for five years; the average difference between the two rates excluding in one case the first five years and not in the other is six cents per year, which in a large order like ours would save enough to pay a few claims, and thereby help to reduce the premium rates required. The gains due to lapses, I do not remember whether I dealt with that—

Q.—Yes, you have dealt with that very fully also. Do not think I am trying to curtail what you wanted to say? A.—I do not want to repeat myself. I do not think I gave the figures though. We did take the lapses after the Los Angeles Session by authority of the Supreme Court, and we found on the computation of a competent actuary that in our order at that time they amounted to an average of about \$13,000 a month, which would give us \$156,000 a year, which would enable us—

Q.—How do you mean? A.—They were for the lapses.

Q.—What did you credit yourself with in respect of the lapse? A.—In

this way that the old line companies use that for dividends to their shareholders and other expenses.

Q.—What was the figure, what was the thing you put to your credit? A.—\$13,000 a month.

Q.—What was that? A.—The amount of profits on lapses.

Q.—What were those profits, were they the faces of the policies that lapsed? A.—Oh, no; the members went out of the order in the second or third year.

Q.—When a member went out what did you say the order made by it? A.—These amounts; they had paid us a certain amount for insurance and it did not cost us near that amount to carry it.

Q.—The difference between what they had paid you and what it had cost you to carry it is what you consider was the profit? A.—Yes, and if that profit is used to pay claims obviously it would tend to reduce the amount of premium required. Then the old line companies give rebates of a very large amount at present, said in some instances to be the whole insurance of the first year. The I. O. F. and the fraternal orders give no rebate. They collect the whole premium from first to last and use it for insurance purposes, and that would have a tendency to lower the amount of premiums we would require. Then we do not pay suicide claims in full.

Q.—Some line companies do not?

A.—The old line companies to-day as a rule pay them; nearly all of them pay them, in fact, I do not know of any Canadian company that does not pay the suicide claims in full. From 1896 to 1905 we had suicides calling for the payment of \$232,000, that is by their policies. We paid them under the contract in the constitution and lost \$47,000. There we again effected a considerable saving and would tend to reduce the premiums required by us. Then I brought to your attention the fact that the old line companies accepted impaired risks. We do not; and the only effect of course is that in that case the old line companies increase their mortality rate, and the fact that we accept only perfect risks and we adopt the same methods as the old line companies in the medical selections, but in addition thereto, as I pointed out Friday, that we have the advantage of the second selection by the lodges. During the five years extending from 1901 to 1905 the expected, according to the Government tables, were 10,945 deaths



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The deaths which occurred in the order were 7,241. The 3,704 less deaths represented quite a large sum of money and which would go to reduce the premiums required by us. And lastly I want to present the experience of the I.O.F. during a quarter of a century, and that is embraced in history, but I want to emphasize these facts, that nearly one-half of our members have been and are paying a lower rate than the existing I. O. F. rates—

Q.—That is the rate that was in force before your increase? A.—Yes, the 1881 rates, but notwithstanding that fact we accumulated the eighth million dollars in the twenty-third year of our history, when according to actuaries we ought to have been dead long ago. The eighth million dollars in ten months, the ninth million we also accumulated in ten months; and in the twenty-fifth year of our history we accumulated the tenth million in nine months, showing that our rates at any rate are ample for the purposes of the order. I do not know whether this is necessary, but I would like to call the attention of the Commissioners to the fact that the calculations of actuaries with regard to the I. O. F. are extremely inaccurate, seem to have been always inaccurate.

Q.—You would not apply that to Mr. Rea, I suppose? A.—I do not think he has ever made any table yet as to our future.

Q.—Are you speaking now of prophesying or are you speaking of compilations of actual facts? A.—No, compilation of tables and applying them to the I.O.F. as the course which their future history would take. Mr. King, as you know, is one of the most eminent of our British actuaries, and in 1896 he made a table as to our future history.

Q.—Is that to be found elsewhere than where you have it? A.—Yes.

Q.—Where did you take it from? A.—From an English magazine, and at the time it affected us very much in the Old Country because of the eminence of the man. He took our surplus in 1896 and took the same rate of premiums as the expected called for at that time.

Q.—What year was that? A.—1896.

Q.—That was after you had adopted the higher rates? A.—Just as we adopted them.

Q.—And he was figuring upon the larger rates? A.—I don't know, I should imagine it would be the lower rates.

Q.—When did you increase your rates? A.—1898.

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Q.—That was before you increased your rates? A.—Yes.

Q.—Then in that respect he was working upon the same material that Mr. Blackadar was working on? A.—Yes.

Q.—What did Mr. King say? A.—I will just give the tables, and in not one year of it is he correct. In 1906, that is eleven years after, we would have had no funds, I have added this fourth column to the table, and to be fair with him I deducted the whole amount of surplus we had at the 31st December, 1895, so as to begin with him in 1896 with no fund, deducting the \$1,560,000 from our present surplus when he said we would have no funds, we had \$8,741,000, showing that he was wrong.

Q.—That is his forecast was out, probably for the same reasons that Mr. Blackadar was out, because of the method that he employed, which was not applicable to your system? A.—I do not care particularly what explanation you give to it.

Q.—I am asking whether you think it was out for the same reasons that Mr. Blackadar was out? A.—He was out for the reason he was using wrong methods as applied to our system, and the only reason I mention that is to emphasize the fact that those methods ought not to be applied when valuing fraternal society work.

Q.—I would like to put that memorandum you are using upon the record, if you have no objection? A.—No objection.

—Memorandum containing figures quoted by witness filed as Exhibit 447.

Q.—It is not perhaps out of line with what I was going to do first this morning that I should discuss some of these matters with you; in the memorandum which you have elaborated to their Honours this morning you have applied the advantages which your system affords to the reduction of premiums? A.—Surely.

Q.—Do the same arguments apply against the maintenance of the ordinary legal reserve, because I think you have used them as arguments against any necessity for them in your evidence hitherto? A.—No, it would apply in a greatly reduced amount for the legal reserve.

Q.—That is it would apply to justifying you in maintaining very much less reserves than the legal rate? A.—Yes.

Q.—Then I apprehend what you say with regard to that. Do you in

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respect of societies such as your own deny the necessity for some reserve? A.—No, we do not. The Independent Order of Foresters has always maintained in the National Fraternal Congress that there should be some reserve.

Q.—What you resist, however, is the application of the ordinary methods of computing reserves to your system? A.—Quite so.

Q.—Let me analyze with you for a moment the constituents of a reserve fund. A reserve fund is intended to keep the company which maintains it always in a solvent position? A.—Quite so.

Q.—That is in a position so that for all time it may meet its obligations as they mature? A.—I think rather the reserve is to keep the premiums that we pay in an old line company level throughout the life of the policy, we collect more at the beginning—

Q.—That may be the method, but the object is to secure payment of your obligations as they mature, is not that right? A.—I would rather put it the other way; the obligation is to keep the premium level throughout the life of the policy, so that an insurance company would not be required to ask increased premiums when the cost of your risk by reason of your age has become greater than your premium.

Q.—The foundation of your whole system is the payment of death losses? A.—Yes, and incidentally, of course, to enable them to pay.

Q.—Incidentally what? A.—To enable them to pay their claims whenever they mature.

Q.—Is not that the foundation of the whole thing? A.—Certainly.

Q.—That is the foundation of the thing, that whoever undertakes a contract of insurance should be able to when it matures carry it out? A.—Quite so.

Q.—The method upon which reserves are computed is supposed right or wrongly to provide for that? A.—Yes.

Q.—And the method you adopt, if you adopt any method, is calculated with that object in view? A.—Yes; well our safety clause enabling us to call for more premiums may, I think, be fairly regarded as somewhat of the same character as the legal reserves of old line companies.

Q.—Partly of the same character? A.—Yes.

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Q.—It fulfils to the extent to which it will fulfil anything the same office? A.—Yes.

Q.—And to the extent to which it fulfils that office it minifies the necessity for maintaining a reserve? A.—Quite right.

Q.—Will you agree with this, that the way to establish the amount of a reserve at any particular date is to ascertain the present value of the liabilities upon policies? A.—I won't undertake to answer that, I am not an actuary. You are getting into the actuarial world, and I am not an actuary.

Q.—If you are not an actuary you can of course appreciate what that means? A.—Yes, but unless I understood it thoroughly I would not like you to cross-question me on a subject like that; I do not profess to understand it.

Q.—Neither do I, but I am sure you understand it better than I do, and I would like to ask you these questions—I won't press it if you would rather not—will there be anyone in your order who will be able to deal with that? A.—Yes, and therefore I do not like to.

Q.—Who will? A.—Mr. Pipe.

Q.—I will just put it in an elementary way; as I understand it a legal reserve is arrived at in this way, at any particular date to ascertain the present amount, the present value of your ultimate liability upon the policy? A.—Yes.

Q.—And you deduct from that the present value of the premium income you are to receive? A.—Yes.

Q.—And the difference is what must be kept in reserve in order to make your obligations good? A.—Yes.

Q.—That is the theory of the legal reserve? A.—Yes.

Q.—Whatever methods you adopt are not based at all upon that theory? A.—No; as I have said, we rely when actual reserve is required, if more than what we have, on our safety clause; we rely on our safety clause should we ever require more reserve than we have on hand.

Q.—Does that amount to more than this that you save all you can on your other sources of revenue, spend as little as you can, and the result plus your safety clause is your reserve? A.—Certainly.

Q.—The reserve then is not based upon any computation of what your obligations will cost you to fulfil? A.—No.

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Q.—And whether that is a right method or a wrong method you have nothing to do with that in your system? A.—No, but I am told that the experience of the company is better than any calculation of actuaries. We are getting to a period when we can rely in a measure on our experience as insurance lessons.

Q.—Not only in Canada but in Great Britain, of course you understand that legal reserves are required to be maintained? A.—Yes, sir.

Q.—That is the companies maintain them perhaps not under stress of legislation, but they maintain them and they serve the same purpose as here? A.—I know in the United States they are compelled by law to maintain them, I think it is the same in Canada; I won't be sure on the subject.

Q.—The same in Canada; there may be differences in detail, but the same in Canada; but with regard to Great Britain how is it? A.—I do not think they require it.

Q.—At all events the schedules made annually to the Board of Trade require that to be done, the reserve to be shown? A.—Yes; well, the Act provides—at the time of the enactment of the insurance law there were no orders in existence over there, and they were unknown, and the Government, or rather Parliament, made provision only for what was known to it, for the old line companies, and the method of valuation is for old line companies, and no provision whatever for the valuation of policies, I mean does not set forth that it should be done in this or that way, in any of the laws of Great Britain.

Q.—But the companies are interested of course in their returns showing that they have satisfactory reserves on hand? A.—Certainly.

Q.—And the pressure of public opinion and competition induces them to be very careful about the maintenance of reserve? A.—Yes. I am not sure but that companies would not be passed by the Board of Trade if they had not a legal reserve, and I presume that legal reserve is provided by law.

Q.—The legislation of Great Britain, however, does not require any particular method of computing reserve? A.—No.

Q.—And the companies there, as I understand it, competing as they do with each other, each of them is anxious to show his reserves upon a more satisfactory basis than any person else? A.—Yes.

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Q.—In making your returns to the Board of Trade—we touched upon that the other day but did not complete the discussion—you were met with the difficulty, were you not, that by computing the reserve in such a way as to comply with the custom of English companies you show yourselves out of existence? A.—No.

Q.—Is that too strong a way to put it? A.—Yes, it is a little strong. What we were bothered with was that the returns we would present would not be accepted at all by the Board of Trade, which would have put us in a difficulty, but we had no choice, and we made our returns —

Q.—You made your returns alternatively, showing in the first place what reserve you would have following approximately the custom of the British companies? A.—Yes.

Q.—And showing on the other hand the surplus you really had— A.—According to the method evolved by our actuary the proper method of valuing the I. O. F. policies, and the report was accepted by the Board of Trade without question.

Q.—That report we will look at a little more in detail; the balance sheet is shown at page 5 of these returns for 1897 (filed as Exhibit 448); and these returns show the alternative method we have just been speaking about? A.—Yes.

Q.—And both balance sheets or both reserves are computed by Mr. Rea? A.—Yes.

Q.—That is it was all work done on behalf of and for your order? A.—Yes.

Q.—According to the customary method of valuing your liabilities you were shown to have a deficiency of some six and a half millions of pounds, you remember? A.—Yes.

Q.—Your liability under insurance transactions was computed at £7,159,342; your life assurance fund was credited against that at £494,435; what was that life assurance fund? Was that your surplus? A.—Yes.

Q.—That is the surplus that is now eight millions? A.—Now ten millions three hundred thousand.

Q.—It is the same surplus? A.—Ten millions sounds better than eight.

Q.—At all events it was the nucleus of your present surplus? A.—Yes.

Q.—That was a natural figure of monies you had? A.—Yes.

Q.—It was not a computation of your future premium income, or anything of that sort? A.—No.



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Q.—Then there is an item Sickness Fund, that was also money in hand? A.—Yes.

Q.—£24,298. Then the balance was £6,640,618. Under that balance is printed the following—which I suppose is the composition of your actuary Mr. Rea? A.—What is it?

Q.—“This does not represent a deficiency but the present value of the amount that would have to be assessed on the assumption that every policyholder would be persistent until death at the rates enforce at date of valuation without any increase or extra call whatever. These assumptions are extreme and foreign to the experience and the laws of the constitution of the Order which provide for the fulfilment of all contracts.” A.—Yes, that was his.

Q.—In other words that is not the comment of an official of the British Board of Trade, but the observation of your own actuary who computed the table? A.—Quite so, but passed by the actuary of the Board of Trade.

Q.—Do not say passed by him. The return was permitted to be filed? A.—Well, that is passing the Report, is it not?

Q.—We will not argue about that, because I am sure my opinion about that would not be worth anything? A.—Well, I won't argue with you because you will get the better of me.

Q.—That is what you mean, that the Return was filed? A.—Yes.

Q.—Now, according to the ordinary custom among insurance companies, both here and in Great Britain, that meant that you were six millions and a half behind the ability to meet your obligations as they matured? A.—No, it means six millions behind the requirements of the law on a valuation.

Q.—And the requirement of the law, as you have told me, is intended to provide a fund which will meet the obligations of the Company as they mature? A.—Yes. I would rather we would use the term “requirements as to old line companies,” when we have items of this kind.

Q.—I won't be particular about terms so long as we are agreed about what the thing is. Then the alternative valuation balance sheet—in the first place I will take the credit side of that. It puts it, by life insurance fund £494,435; that was again your surplus? A.—Yes.

Q.—And the Sickness Fund £24,289, which was also the surplus in respect of that fund? A.—Yes.

Q.—Against that is put the net liability under insurance transactions, £491,259; that, I suppose, was arrived at—do you happen to have the computation Mr. Rea made? A.—No.

Q.—That was arrived at, I suppose, by following the first of the two methods which we were dealing with the other day? A.—Yes, and I think he shows the method which he adopted to arrive at those figures.

Q.—That left the credit; that is you were better than able to pay all your liabilities by £24,265? A.—Yes. A surplus of that amount after providing for all liabilities.

Q.—Have you made any inquiry—perhaps none was practicable in the interim—with regard to some of the questions I asked you the other day? For instance in adopting that method, policies revalued on the one hand as term insurance—have you found out what he did? A.—No, except what I remember in the way of finding out, because I do not suppose there is any record of it in our office, but if I remember correctly he told me he took our balance upon a 15 year term.

Q.—I do not want to quarrel with that at all, but I cannot reconcile the amount that he gives with any such computation as that? A.—I have not tried to reconcile it.

Q.—It is reconcileable however, with treating them as your premiums were fixed? A.—Yes.

Q.—That is as term assurance for a year? A.—Yes. Does he not say what it was?

Q.—No; the policies revalued on the one hand as term insurances where the unexpired term is taken into account. Then he goes on with something else; “together with the full reserve on estimated assumption that 10 per cent. of the surviving lives will remain in force until 70 years of age? A.—Then it was what he said to me in discussing his Report, that he took 15 year term policies in connection with that valuation.

Q.—You have not had by one of your actuaries or by any independent actuary the figures checked at that date to see what method was followed? A.—No.

Q.—When he says full reserve, I suppose he means the full customary reserve? A.—Yes.

Q.—Based upon 10 per cent. of your surviving lives remaining in force until 70 years of age? A.—Yes.

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Q.—Making apparently no allowance in respect of reserves on any intermediate policies except those yet computed for the term assurance, and those completing the 7 year term? A.—If that shows it to be, of course that is so.

Q.—That apparently is all we shall be able to find out, unless we get Mr. Rea here, except by an analysis of his figures or a reproduction of them in some way? A.—You may be able to get that information from Mr. Pipe.

Q.—Then I will try not to forget to ask him. Before leaving that I want to see what, according to your return made in 1895, to the Board of Trade, was the condition of things. From that time down to now your liabilities have been valued in the same way? A.—Yes.

Q.—Alternatively? A.—Yes.

Q.—In the returns to the Board of Trade? A.—Yes. We have had another—only one other—at the end of the next five years. I will give you a copy of that.

Q.—I have it in the Board of Trade for 1905. This was a valuation as at the 31st December, 1902, and it is found in the Blue Book containing the Returns to the Board of Trade for 1905. That also I want to have upon the record? A.—Is that not this report that you referred to?

Q.—This is 1897 and this other 1902? A.—Then you have the last instead of the first—you have the second instead of the first.

Q.—Was that of 1897 the first? Have there been three valuations? A.—No, two.

Q.—Then I have them both, because that is for 1897, and this is for 1902, so that it is in the Returns for 1905. Now, if you will follow me and assent, so that it may be taken down as something about which there is no controversy, I will be obliged to you.

Q.—This is the valuation Balance Sheet of the Independent Order of Foresters as of the 31st December, 1902.

MR. LANGMUIR: Made by the Foresters?

MR. SHEPLEY: This was made by your actuaries? A.—Yes, by the same actuary.

Q.—Mr. Rea? A.—Yes.

MR. LANGMUIR: And appears in the Board of Trade Returns?

MR. SHEPLEY: It appears in the Board of Trade Returns for 1902.

MR. KENT: That is the latest statement, is it?

MR. SHEPLEY: Q.—You have not had any valuation of your policies since then? A.—No.

Q.—And you probably won't have till 1907? A.—Until the lapse of another five years.

Q.—31st December, 1907? A.—Yes.

Q.—The first Balance Sheet—because this is alternatively arranged, just as in the former case—the first balance sheet makes your net liability under assurance transactions £10,989,712. On the other side of the account is Life Assurance Fund £1,196,732. That again is your surplus? A.—Yes.

Q.—It is the same surplus that we were talking about before? A.—Yes.

Q.—The monies that you have actually in hand? A.—Yes.

Q.—Without regard at all to any computation of your future premium income or anything of that kind? A.—Yes.

Q.—And the Sickness Fund is £18,537. That has fallen off in the three years? A.—Yes.

Q.—That also represented monies in hand? A.—Yes.

Q.—And those two sums together represented the savings of the Order during the period of existence down to 1902? A.—Yes.

Q.—Then the balance which would appear to be a deficiency but for the explanation in the note, is £9,774,443. Do you assent to that? It would appear to be a deficiency but for the explanation in the note? A.—Yes.

Q.—And then the note of your actuary commencing, "This does not represent a deficiency," is just the same as in the former return? A.—Yes.

Q.—Then alternatively the valuation balance sheet commences like the former, with a credit to your life assurance fund and your sick list fund, being the savings we have spoken of? A.—Yes.

Q.—Those two sums make a total of £1,215,269, as against which the net liability under insurance transactions presumably computed according to the former of the two methods mentioned in Dr. Rea's note is £747,546, leaving a balance over and above your liabilities computed in that way of £467,723? A.—Yes.

Q.—No similar computation has since been made? Q.—No. We shall have to make it, as you say, in the course of a couple of years now. At the end of the 5 year period.

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Q.—Of course there would be no difficulty, except the labor involved in it, in preparing a statement down to 1905, treating it in the same way? A.—Oh, I presume not.

Q.—You observe that while following the method of which you approve the surplus of assets over liabilities, is growing, similarly, following the method of which you do not approve your excess of liabilities over assets is also growing? A.—Yes.

Q.—And it is growing at a very large rate? A.—We explain that by saying that those large sums 6 million pounds and 7 millions here represent the amount of money that we would have had to collect from our policyholders if we had been an old line company, and in a way we have saved those enormous sums to our policyholders, and have given them up-to-date first-class insurance.

Q.—Up-to-date, yes? A.—Up-to-date.

Q.—Will your mind go with me thus far? That if for every dollar of your surplus there is 10 dollars of liability, that if you increase your surplus you are only increasing your liability? A.—Yes, but we do not admit the applicability.

Q.—I put it hypothetically. And when you say your experience shows your accumulations have been growing, that involves hypothetically again, that your liabilities have been growing correspondingly? A.—Oh, surely.

Q.—And as time goes on every valuation balance sheet that you make out, if your Order proceeds as prosperously as it has, will increase the apparent deficiency? A.—Yes. And which our actuary says has no definable financial significance.

Q.—That is what Mr. Rea says? A.—Yes.

Q.—I have not lost sight of that. Then, one other question with regard to that; you have, in addition to the moneys on hand only your safety clause to fall back on? A.—Yes.

Q.—What would be the effect in your view, upon the membership of your Order, of your having to say to them, "We have spent all our surplus and you must club together to pay these death claims?" A.—I do not think we will ever reach that period, and therefore we are not spending our time considering that point. There is another point I ought to mention to you—

Q.—Will you spend the time on it now? A.—I do not think it is worth

while. However, if you wish it I will.

Q.—Please do so? A.—What is the question?

Q.—If you had to go to your membership and say, "We have spent all our surplus, there are no funds, we want to invoke the safety clause, you must come in and pay these claims," what would be the effect on your membership? A.—Probably a few secessions, but I am satisfied the great bulk of them would pay what they were asked. It is a matter of history that whenever we have gone to the Supreme Court and asked them to pay more by revising the rates, they have done it, and I have no reason to believe that if the calamity should happen that we would reach the period when our surplus would begin to disappear, that if the Supreme Court asked them just before they had reached the point you mention, to readjust the rates, they would do it as cheerfully as they did it in 1899, when, I think, the revision was carried, only sixteen voting against it, there being 210 votes in the Supreme Court.

Q.—And only 16 dissentients? A.—16 dissentients.

Q.—Have you ever had occasion to observe, as you have gone through life, of the effect of making assessments beyond what a man is expected to pay in any system of insurance, because that sort of thing happens more than once in the history of this country? A.—Yes. Of course in the first place I must mention that I have no experience as a Forester, but other societies have called for extra assessments, and as a rule have increased the secessions very largely.

Q.—And sometimes precipitated disaster and dissolution. A.—I do not recall any instance of that kind in the fraternal orders.

Q.—Well, I was not trying to confine you to the fraternal orders. I am speaking generally of assessing a man for more than he is expected to pay? A.—Well, I pay no attention except to the old line companies and the fraternal orders. I am kept busy without trying to follow the history of companies that we have no interest in.

Q.—Would you agree with me that it is a legitimate subject of inquiry, what has happened in the past with regard to assessments, what their effect has been upon the history of organizations generally? A.—Oh, I think so, yes, and now that you bring



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the subject before me, perhaps I will increase the powers of our Statistical Department and watch all these things. It may help us at some future examination.

Q.—Then I will just think of another disaster, hypothetically again. Supposing your Order became illegal so that you had to be dissolved and wound up, what would be your position with regard to your contracts? Would you be able to reinsure with the funds you have on hand in solvent companies? A.—I fancy not.

Q.—Nor pay the present value commuted to your outstanding obligations? A.—No, very few companies are.

Q.—Unless they have a reserve with which they can re-insure? A.—There are instances in old line companies when such a disaster has overtaken them and their funds were wholly inadequate to provide for their policies.

Q.—That is where they did not look after their reserves? A.—It is where they had their legal reserve.

Q.—On paper? A.—Oh, I would not say that.

Q.—You know—I am sure you do—that sometimes the reserve is called the Reinsurance Fund, and it is supposed to be such a sum as you can go into the market and buy an equivalent amount of insurance with? A.—Yes.

Q.—And if the reserve is what it ought to be that is what it will do? A.—Yes.

Q.—I am speaking of the old line companies' reserve? A.—Yes.

Q.—Now I have troubled you long enough about that legislation? We will return to the other matter—

MR. LANGMUIR: Q.—Before leaving that I would like to know what was the average percentage of increase in premiums in 1899 over the period of the previous rates, if you can tell us? A.—I will have it computed, so that you can get the correct figures, and hand it in, perhaps this afternoon or to-morrow morning. My impression is that it was about 20 to 25 per cent. of the increase.

MR. SHEPLEY: I will look at what you said because you gave us an account of that. It commences at page 2204, at the bottom of the second column. Your examination reads as follows:—

“Q.—Have you made substantial alteration of ratios in your premium of recent years? A.—Yes and no. We increased the rate

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in 1898, which came into effect on the 1st January, 1899.

Q.—That is the Yes part of it, what is the No part of it? A.—You said substantial.

Q.—I might have left out the word substantial? A.—Yes.

Q.—What was the increase, was it by a percentage? A.—No, the way we calculated was to take a man's expectation of life at age of entry and compute that at 4 per cent., and the amount that was required to produce \$1,000 at his expectation of life was fixed as the new premium rate and all through the ages of the table the same rule was applied.”

MR. HUNTER: I can give you one example. At age 18 the former rate in the ordinary class was 60 cents a month. The new rate the same age and the same class is 76 cents a month.

WITNESS: I will give you the percentage.

JUDGE MAC TAVISH: It is a little over 25 per cent.

WITNESS: That is only one figure. The others may be different. I meant on the average.

MR. SHEPLEY: Q.—I think we have practically completed all I wanted to ask about the legislation of 1896. After 1896, and just so that I may direct your mind towards the subject I am going to inquire about in connection with the following legislation, by the legislation of 1896 you got authority from the Dominion Parliament to hold real estate up to \$350,000? A.—Yes.

Q.—In the same year you got an Act passed by the Legislature of the Province of Ontario. Do you remember that? A.—Yes.

Q.—That was 59 Vict., Chap. 120? A.—Yes.

Q.—That was entirely with regard to your power to hold real estate? A.—Yes.

Q.—And it differed somewhat in its phraseology from the Dominion Statute? A.—Oh yes.

Q.—And there was only one short section, “it shall be lawful for the said Supreme Court of the Independent Order of Foresters to acquire and hold lands or tenements or interests therein within the Province of Ontario, not exceeding in the whole at any one time, the annual value of \$20,000?” A.—Yes.

Q.—Will you tell us about that legislation, please? A.—Well, it was

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to remedy our position with regard to the Temple Building.

Q.—That you told me also was the object of the other legislation—that clause of the other legislation? A.—Yes, we tried to get the \$20,000 in the Dominion Act, but Mr. Fitzgerald refused assent to it and we could not get it.

Q.—Upon what ground was his refusal to assent ostensibly based? A.—I do not know.

Q.—Did he say? A.—I do not think he had any ground.

Q.—You do not think he alleged any? A.—I do not remember? Why should the Government object to legalising our holding of this property?

Q.—I am not at all advocating it? A.—But I wish to show the gentlemen. A very large proportion of the funds to build this Temple was contributed by our American members. At that time there was not, and there is not yet, any difficulty with regard to investing so much of the money of the Order here. It was a surprise to me that Canadian authorities should object to the Order bringing that much money into the country and planting it for all time in the country. Of course, my object among others, was to prevent the removal of the Headquarters to the other side when the Americans became—

Q.—When the tail commenced to wag the dog? A.—Exactly.

Q.—At all events you advocated the policy of building—the building policy—largely because it involved the influx of American money. A.—Planting American money here.

Q.—And also secured the permanency of the institution as a Canadian institution? A.—Yes, and to advertise the Order as no other thing had advertised it up to that time.

Q.—I quite appreciate that. Then you wanted to have the Dominion Legislation take the form of permitting you to build or to own lands of the yearly value of \$20,000? A.—Yes. We had built, I believe, or in process of building.

Q.—You wanted that legalized? A.—Yes.

Q.—Subsequently I will have to ask you some questions about that, but that is all I care about at the present time. You looked upon the power given you by the Legislature of Ontario as a more satisfactory and wider power than that Act of the Dominion? A.—Yes, we had been previously advised that it was probable the Province of Ontario had the

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power and not the Dominion Government.

Q.—Then just come again to the other Acts. In 1901 you went again to the Dominion? A.—Yes.

Q.—Do you remember the circumstances that took you there that time? A.—Well, I think the chief circumstance was that we were advised by an eminent lawyer in Toronto that there was some point in the contention of a Canadian member, that as he became a member of the Order as a provincial corporation, he was not bound by the laws of the Dominion Corporation, and our object was to have such legislation as to remove any doubt on that point, and also to get another increase in our holding powers of real estate.

Q.—Then you did get the legislation that you asked for that year? A.—Yes.

Q.—You got the increased holding power? A.—Yes.

Q.—As you asked for it? A.—Yes.

Q.—And did it then conform with the Ontario power or did it exceed it? A.—I think so.

Q.—It exceeded it?

MR. HUNTER: It was raised to \$30,000 in 1901.

MR. SHEPLEY: Q.—If \$20,000 was enough in 1896 why was it not enough in 1901? A.—There was a doubt as to whether it was enough. It would depend on the rate of interest assumed in the computation of the allowance and I wanted to place it beyond all question.

Q.—And this Act did? A.—Yes.

Q.—And it has been beyond question ever since? A.—Yes.

Q.—Generally speaking I just want to outline the Act. It is a couple of pages, but it is simple enough. The first substantial or substantive provision was the transfer of the assets of the old provincial corporation in the Dominion Corporation? A.—Yes.

Q.—And it substitutes the Dominion Corporation for the Provincial Corporation as to all obligations and liabilities. A.—Yes.

Q.—Then it transfers, so to speak, the allegiance of all members of the Provincial Corporation to the Dominion Corporation? A.—Yes.

Q.—And makes them subject to all the laws? A.—Yes.

Q.—That got over the Kingston man? A.—Yes.

Q.—Then comes the computation as to the realty holding, the only thing that is worth speaking about in that

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is the increase from \$20,000 to \$30,000 a year yearly value? A.—Yes.

Q.—Then do you remember you got some ratification of your investment powers or some increase? A.—Yes. We had been taking, I think it was at that time, the interest on the mortuary funds and using it in our work?

MR. HUNTER: That was in 1896. He is referring to Section 50 of the Insurance Act as to the power of investment. We had that power.

WITNESS: We supposed we had the powers to make all the investments the insurance companies had.

MR. SHEPLEY: You thought you had all the general powers in the General Insurance Act? A.—Yes, but there was some doubt expressed by some lawyer and we thought we would put it beyond lawyers to bother us about it.

Q.—Well, you were very sanguine. At all events what you did have added to your investment powers was this in the 7th line of the section of your Act of 1899—"or in any of the securities specified in sub-sections 1 and 2 of section 50 of the Insurance Act?" A.—Yes, to make it specific that we had the power to make the investment.

Q.—Is there anything else in this statute that you deem of importance? A.—Oh yes. In order to meet the objections raised by some of the adverse Insurance Commissioners in the United States to the fact that we were not a fraternal benefit society, not so recognized in our own country, we got Parliament to remedy that by making the change from this society to this fraternal benefit society, specifically recognizing us as a fraternal benefit society.

Q.—So as to give you recognition in Canada as a fraternal benefit society? A.—Yes.

Q.—And so improve or maintain your status in the United States? A.—Yes.

Q.—Is there anything else in this? A.—I do not think so.

Q.—You were going to say something else when I interrupted you? A.—It was just to enable the insurance inspector here to give us a certificate that we were a fraternal society.

Q.—It was probably necessary if the point was well taken about the Provincial Corporation? A.—Yes, we were so advised and we made concurrent application.

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Q.—This statute, like the Dominion statute, vested the assets and imposed the obligations of the Provincial Corporation in the Dominion Corporation? A.—Quite so.

Q.—And it increased the holding power to \$30,000? A.—Yes.

Q.—And made the members of the Provincial Corporation subject to the jurisdiction of the Dominion Corporation? A.—Yes.

Q.—Is that all the legislation that your Order has had in this country since your organization? Have I found it all? A.—Yes, that is all.

Q.—Before we came to this we were dealing in a general way with the organization and the history of your Order, and I suppose in a Society so well managed as yours we will find a pretty complete history of all your transactions in the minutes of your Executive body. We ought to, should we not? A.—I think so.

MR. HUNTER: In the minutes of the Supreme Court? A.—You will find them in the minutes of the Supreme Court.

MR. SHEPLEY: I should not have excluded that—I mean that? A.—If I recollect rightly, for a number of years we have held no Executive meetings, we did the work by—

Q.—That is applicable perhaps, to your early history, but during the years during which you have been a flourishing body your Executive have been a very busy Executive? A.—Yes.

Q.—And you have held constant meetings? A.—Yes.

Q.—Then I have the Minutes of three of your meetings of the Supreme Court, the triennial meetings, calling them that for the sake of convenience? A.—Yes.

Q.—The first of these is the 11th Communication, as it is called, of the Supreme Court. That was held at Toronto on the 25th, 26th, 30th and 31st of August and 1st and 2nd September and at Foresters' Island Park on August 27th and 29th, 1898. That was the Toronto Meeting and the next one was held where?

MR. HUNTER: In California.

WITNESS: At Los Angeles.

MR. SHEPLEY: Yes, on the 29th and 30th April and the 2nd and 3rd May, and at San Francisco on the 6th May, 1902? A.—Yes.

Q.—Then, the third was held at Atlantic City last year, 31st July, and 1st, 2nd and 3rd August, and then



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apparently at Forester's Island 7th August, 1905? A.—Yes.

Q.—Those are three epochs in your Order, are they not? A.—Yes.

Q.—And apart from what we are able to find in your Executive minutes and bookkeeping, this is your written history? A.—Yes.

Q.—I think you have already told me that at every meeting of the Supreme Court you overhauled and revised your constitution and by-laws? A.—We have done so far. We have adopted amendments of more or less importance. At all these meetings I think the Constitution was amended.

Q.—In some respects you have, I think, on some occasions collected them into a whole new body? A.—Last Session I think we did that.

Q.—And each volume of the Minutes purports to contain a complete set of the constitution and by-laws? A.—No.

Q.—Does it not? A.—No, it contains only the proposed amendments.

Q.—Oh yes, I think you are quite right. I was looking at 1895? A.—That, I presume, is a complete print of the Constitution because we condensed the Constitution and eliminated sections where it was practically a duplicate of another section, and, of course, we had to rearrange it, and that is the reason the whole Constitution is in there, because of that condensation and rearrangement of sections.

Q.—There is one clause before I go into the minutes that I want to ask you something about. Clause 30 of your Constitution as it now stands deals with the composition, powers and duties of the Executive Council and I want to go through that a little more carefully. It is divided into sub-paragraphs. It is section 30, and there are 14 sub-paragraphs. The first sub-paragraph deals with the Constitution of the Council. It consists of the Supreme Chief Ranger, the Past Supreme Chief Ranger. Who is the Past Supreme Chief Ranger? A.—Judge Widderburn was until the Act came into force about judges, and he was succeeded by Victor Moran of Montreal.

Q.—The Supreme Court Vice-Chief Ranger—who is he? A.—J. D. Clark of Dayton, Ohio.

Q.—Supreme Secretary? A.—Mr. McGillivray.

Q.—Supreme Treasurer? A.—Harry Collins.

Q.—Supreme Physician? A.—Dr. T. Millman.

Q.—And the Supreme Counsel? A.—Mr. Stephens.

Q.—The next paragraph deals with the powers and duties of the Executive Council of the Supreme Court in addition to those defined elsewhere in the constitution and laws, and there are sub-sections A, B, C and D. Sub-section A, "During the recess of the Supreme Court, to exercise all the executive and judicial powers"—that is very wise of course? A.—Yes.

Q.—Between triennial sessions they have all the power that is vested in the Supreme Court?

MR. HUNTER: Except the legislation.

MR. SHEPLEY: They cannot alter the constitution, but their executive and judicial power is very unlimited?

WITNESS: We have power to amend the constitution.

Q.—Then sub-section B, whenever the general funds of the Supreme Court become exhausted, to borrow from any other fund at the legal disposal of the Executive Council, and so on. That is a power which has been exercised? A.—Yes.

Q.—And we shall have some discussion as to that. Your general fund has been largely depleted? A.—Yes.

Q.—And your annual returns are made to show, at the instance of the Superintendent of Insurance, the extent of that depletion? A.—I think so, yes, but its depletion I think is not a very happy word; still I suppose it expresses it.

Q.—Overdrawn? A.—Yes.

Q.—I will substitute that word? A.—All right.

Q.—Then we need not trouble about sub-paragraph C. That is about the corporate seal, and so on. Then we need not dwell on E. That is disciplinary. Then the third paragraph is important, or may become important; "Whenever in the opinion of the Executive Council the number or the amount of claims for sick benefits made in any territory, district or locality is excessive, the Executive Council may discontinue in any such territory, district or locality the further enrollment of members in the sick and funeral benefit Department for such time as the Council may deem expedient?" A.—Yes.

Q.—Is that aimed at epidemics? A.—No.

Q.—Aimed at the low tone of morality? A.—It is aimed in sections where there is an enormous demand made on the sick and funeral fund,

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and in fact we know that very many cases from that district are fraudulent practically.

Q.—It is aimed at a low morality? A.—Yes, and the idea was to have power to protect the Order whenever it gets too prominent.

Q.—Did your machinery not prove sufficiently elastic to deal with those cases and detect them and weed them out? A.—Oh yes, the offenders that came to our knowledge, but when as you say a low morality develops in a district we thought it was better to have these powers, just to say to that district, "You cannot initiate any more into this Department, until you reform."

Q.—Then the fourth paragraph reads: "All members of the Executive Board shall be *ex officio* members of the High Court" (Reads down to the words "Or to hold office in such branch.") I pause there for a moment. Of course it is a question of policy. You want all your Executive to be able to walk into any place with all the rights of a member? A.—Yes.

Q.—Any place under your jurisdiction? A.—Yes.

Q.—But there are some other Courts mentioned here that we have not heard about the High Court, the Subordinate Courts, and the Companion Courts—we have not heard about those? A.—They are the lady Courts, the same constitution as the male Courts.

Q.—They are subordinate Courts but they are composed of ladies, and they are called Companion Courts to distinguish them from male subordinate Courts? A.—Yes.

Q.—What are Juvenile Courts? A.—Exactly what the term is. They are Courts for the children of our members.

Q.—Do they insure also when they come in? A.—No.

Q.—And the ladies? A.—The ladies insure, except in the sick and benefit department.

Q.—The children do not insure at all? A.—No.

Q.—They are just social? A.—Yes, and educate them in the Forestric idea, so that when they grow up they will slide right into the subordinate Court.

Q.—You bend the twig so that the tree may be inclined? A.—Yes.

Q.—Then the Encampment of the Foresters—that you told us about? A.—Yes.

Q.—The quorum of the Executive Council is made four? A.—Yes.

Q.—Being a majority thereof? A.—Yes.

Q.—Now comes clause 6, and that is one I want to ask you about, because that is rather an extraordinary clause, although I do not use the word otherwise than as something we have not often seen. "Whenever action or decision by the Executive Council is required" (Reads down to the words "Executive Council have been held.") A.—Yes.

Q.—That is a paragraph which puts a very wide power in the Supreme Court Chief Ranger? A.—How?

Q.—You do not go with me at once with regard to that? A.—No.

Q.—Well in the first place it makes it unnecessary to hold a meeting of the Executive? A.—Quite so—to decide minor points, but which before it can be acted upon, must be decided by the Executive Committee?

Q.—It does not say minor points? A.—I know, but we have sense enough to apply these laws in a common sense way.

Q.—I am speaking of the power it confers, but not about any abuse of it. I am not suggesting there has been any abuse? A.—The power of the Supreme Court Chief Ranger under that section is simply to submit the question to you, and to those who are members of the Executive by letter, and they answer.

Q.—By word of mouth or otherwise? A.—That means telegrams—not word of mouth; so that the terms of the submission of the questions would be the record and the answer in writing. Of course our telegram would be on record, and it would be impossible for me to tell how the members of the Executive would vote, because that would be the only possible way in which you could do it—

Q.—You tell me, and perhaps your construction of it, as a matter of construction, is right—if you tell me it was not left to conversation, and is not so to be construed, that removes a great deal of difficulty I see in regard to it? A.—Oh no. It must be a record by writing, or by telegrams. The expense of the Executive Meeting is very large, and it was with a view of saving expense that when a minor question was required to be settled by the Executive, the Supreme Chief Ranger may submit that in writing or by telegram.

Q.—If the rule had said "may submit such matter in writing, or in print or in telegram" instead of saying "in writing or in print, or other-

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wise" it would have been quite clear. It perhaps means that now? A.—Oh, it does.

Q.—Perhaps it means in writing or in print, or in some other way which preserves your record? A.—Yes. You would not have dreamed of going to a man and saying "How are you going to vote," and going to another man and asking the same question and then coming out and saying the Executive had decided so and so. If that were the case it would be extraordinary.

Q.—Perhaps we should apply the ejusdem generis law to this as lawyers put it, and make this a record? A.—I wish you would.

Q.—At all events that is the way it has been administered? A.—Yes.

Q.—I am inclined to agree with your construction of it as a matter of construction, although I have no business to say that. Then one other question with regard to it—A.—I think what you have pointed out is worth attending to.

Q.—When anything of that kind is done in that way, does it find its way upon the minutes of the Executive afterwards? A.—Oh sure.

Q.—It always does? A.—Yes.

Q.—It is posted always? A.—Yes.

Q.—That is the spirit of the rule? A.—Yes.

Q.—If you do amend it, you might confine it to minor matters? A.—Well no, I think it is sufficiently safeguarded by putting it in this way.

Q.—The next paragraph, No. 7, says "A member of the Executive Council may, by power of attorney depute any person to sign his name." (Reads down to the words "May be required to sign.") That is not intended to give one member of the Executive two voices at the meeting of the Council is it? A.—Oh no.

Q.—That is merely for the execution of documents? A.—That is right.

Q.—Then there is a provision "Removal from office; in case of the disqualification, refusal or neglect of any member of the Executive Council to discharge the duties of his office, the other members of the Executive Council shall have power by unanimous vote to declare such office vacant." (Reads down to the words "disqualifies a person from being a member of the Executive.") What are the causes of disqualification? Do you recall them? A.—Oh, a number of them; getting sent to jail would be one of them.

Q.—I suppose ceasing to occupy the official position—A.—Or going away and refusing to discharge his duties.

MR. HUNTER: The easiest example is, ceasing to be a beneficial member.

WITNESS: Yes. Well of course he would be suspended from the Order if he ceased to be a beneficial member.

MR. SHEPLEY: Q.—"Then the remaining members forthwith elect a successor." (Reads.) Then on his complying with the constitution and laws, and being installed he takes the office? A.—Yes.

Q.—Paragraph 9 makes the other members of the Executive Council the judges of the disqualification, refusal, neglect, etc., referred to in sub-section 8 of this section? A.—Yes.

Q.—I suppose the questions have never arisen? A.—No.

Q.—Then with regard to officers other than Executive Council, you have similar powers? A.—Yes.

Q.—Then just one other question about this clause. The 14th paragraph reads "The Executive Council may appropriate the forfeit moneys." etc. (Reads.) What are the forfeit moneys? A.—Not finding a beneficiary to a claim; no one comes forward to claim on the death of a member, and I think the limit is put at one year. At the end of the year the Supreme Executive may declare that forfeited, and the object of this section was to authorize the Executive to use it for charitable purposes.

Q.—For outside charities apart from the Order? A.—Oh no.

Q.—I do not want to go into that at any length, but at all events under the Act have you any organized system of charities in the Order besides the Orphans' Home? A.—Nothing but the Orphans' Home. We hope to organize a home for the old members.

Q.—Is that Foresters' Home the beneficiary who takes these forfeitures? A.—It would be very likely there it would go as long as I am Chief Ranger.

Q.—Do you get any substantial amounts from these forfeits? A.—No, we have not had at any rate more than one forfeiture.

Q.—Now we have gone through the Executive Council, and I want very briefly to run through the clauses dealing with the duties and powers of the officers themselves who compose that. Take your own office for instance. That is dealt with in sec-



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tion 19, and like the other section, it has fourteen sub-paragraphs? A.—Yes.

Q.—You are ex-officio President and General Manager of the Order? A.—Yes. That clause was simply inserted to facilitate our doing business abroad. Instead of "Supreme Chief Ranger," people not understanding that, we had "President of the Company" or "General Manager."

Q.—The second paragraph makes it your duty to preside at all meetings of the Supreme Court and all meetings of the Executive, to appoint assistants to yourself who shall have the title and rank of Assistant Supreme Court Chief Ranger, and shall have the duties assigned to them, etc. You have apparently unlimited power in respect to appointing assistants? A.—Assistants for myself.

Q.—Have you had that power from the beginning, or do you recall just now when you got that? A.—Away back anyway. I think I had more power in the beginning.

Q.—You could not have more power in respect to appointing assistants than this gives you? A.—In the early years I was the whole Supreme Court practically. In later years we have had to regulate these things.

Q.—As the old French Monarch said that "l'etat c'est moi," and you are the state still? A.—The Executive not frequently, but sometimes reverse my action.

Q.—That must be a lapse in the minutes? A.—It does occur.

Q.—I have found no such case? A.—But it is proved so far in the end that they were always in the wrong and had to come back to my way.

Q.—As I said before, "l'etat c'est moi" would apply to you? A.—No, I have no such autocratic powers.

Q.—Get back to the power to appoint assistants Supreme Court Chief Ranger? A.—Yes.

Q.—How many assistants are there? A.—Three.

Q.—Who are the three? A.—Mr. Harper, Mr. Lawless, and Mr. MacMurtry.

Q.—Those are your three assistants? A.—Yes.

Q.—There is no review of anything you do in the way of appointing assistants, except I suppose inherently by the Supreme Court; that would have power to revise? A.—Yes, but I do not think I have ever appointed an assistant that I did not consult and get the consent of the Executive Council.

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Q.—You have charge and control of the head office and all other offices of the Supreme Court, and you employ such persons from time to time as you deem necessary for the proper carrying on of the business of the Supreme Court? A.—Yes.

Q.—You have a large staff in the head office? A.—Yes.

Q.—What is the size of your staff? A.—About 125, just a rough guess. I can get the exact figures.

Q.—I suppose the number fluctuate within substantial limits? A.—Yes.

Q.—But you would say about 125 Supreme Court employees? A.—Yes.

Q.—Do you have the appointments in the offices of the other Executive Councils, say in the Secretary's and Treasurer's office? A.—Everybody.

Q.—You appoint everybody? A.—Everybody. When I say that, of course my deputies recommend the persons and I make the appointment.

Q.—When you say deputies you mean— A.—My deputies and colleagues, members of the Executive.

Q.—Then you have also the general superintendence and management of the affairs of the Order and the promotion of its growth? A.—Yes.

Q.—Then you have the power to appoint from time to time inspectors general, assistants, General managers, district superintendents, and deputy Supreme Court Secretaries, as the interests of the Order may require, who shall perform such duties as may be assigned to them by you and the Executive Council, and power to remove and discharge such persons so appointed. What is an inspector general? A.—An appointee who goes around the country inspecting the work done by organizing officers.

Q.—How many are there? A.—I should imagine not more than half a dozen.

Q.—You can perhaps let me have that accurately. You say half a dozen? A.—Yes.

Q.—Do you remember their names? A.—Not now. I can give you the information.

Q.—I daresay I may have it combined with other information. Assistant general manager—what is that? A.—That is a manager outside of the head office. For instance Mr. Albert Stephenson at our American office at Port Huron, Mr. Marshall in London, England, or rather he is living now in Glasgow—I think those are the only two Assistant General Managers that there are.

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Q.—And are their duties confined to the districts in which they are located? A.—Yes.

Q.—They are not General Assistant Managers? A.—No.

Q.—But Assistant Managers in respect of their territories? A.—Yes, Mr. Marshall of the United Kingdom, and Mr. Stephenson, has charge of our supplies for the United States.

Q.—Then Managers is the next? A.—Managers would be local appointees; for instance Mr. Roberts in Victoria, Melbourne, and Dr. Gibson of Belfast.

Q.—What is the office of the Manager? What does he do? A.—He takes charge of the office, where they are obliged to maintain an office.

Q.—That is the office of the Supreme Court? A.—Yes.

Q.—He is under the control of the Executive? A.—Under my control.

Q.—Then the next office you mention here is District Superintendent—what is that? A.—A District Superintendent is a Superintendent having general charge of the Court in a certain district, to deal with any grievance that may arise, and to help the Court grow, and get new members. Mr. George Mitchell is District Superintendent, Toronto District.

Q.—Is he a paid official? Are those paid officials? A.—Yes.

Q.—They are salaried officials? A.—Yes.

Q.—Then Deputy Supreme Court Secretaries. Are those Deputies of Mr. McGillivray's? A.—Yes, paid by me.

Q.—How many are there? A.—I do not think there are any just now. The Manager in the London office was for a time Deputy Supreme Secretary.

Q.—That is performing the Secretarial duties in Great Britain? A.—Yes.

Q.—You think there are no deputies now to Mr. McGillivray? A.—I do not think so.

Q.—Somebody must be in charge of his work? A.—We have closed the office. It is a large office, and we have got a young lady as clerk.

MR. HUNTER: You are speaking of the London office. He is speaking of the Toronto office. Somebody must be in charge of Mr. McGillivray's work.

WITNESS: Oh, here.

MR. SHEPLEY: Q.—Yes? A.—I do not think there is any such office.

Q.—Are there not resident deputies of Mr. McGillivray's? A.—Not now. Mr. MacMurtry was there, but I took him from that and made him Assis-

tant Superintendent Chief Ranger, to take charge of the organizing work.

Q.—Who is doing Mr. McGillivray's work now? A.—Mr. Harper is doing the work of Mr. McGillivray largely, and Mr. Lawless.

Q.—I suppose it is being divided up a good deal? A.—Yes. They are all helping.

Q.—Then you have charge of the corporate seal and the cheque book, and you issue cheques which are countersigned by the Secretary and the Treasurer for all claims upon the Court? A.—Yes.

Q.—Then you have power, and it is your duty to execute documents on behalf of the Supreme Court? A.—Yes.

Q.—Then you have some duties in respect of the password, which I need not trouble you about, and you have power to grant dispensations; that is also in respect of what you may call the ritual side of your organization? A.—Yes. All dispensations require to be used in the Order must emanate from me.

Q.—Then you have power to decide all questions. I will not get into the same difficulty I got into a little while ago by trying to put a construction on that until I have heard from you. You have power to decide all questions, and your decisions may be promulgated in a final Order and be a binding decision until reversed by the Supreme Court. What range does that word "decision" cover in practice? A.—A pretty wide range, but in practice it is really confined to questions of law arising from the construction of the sections of the statute. Sometimes it is said they are not perspicuous, and sometimes there is room for difference of opinion as to the meaning of the section, and then it is laid before me, and I decide what the constitution means, and that becomes binding on all the members until the next session of the Supreme Court.

Q.—That is not intended to extend, and does not in practice extend to your deciding questions of finance? A.—Oh no.

Q.—Questions that come before the Executive Council with regard to investments, and with regard to financial policy? A.—No, I think it is about questions of law arising out of the constitution; at least the practice has been that, or suspensions of the members of the Order; if there is any dispute about the facts and there is a doubt as to the legal suspension of

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the member, it is referred to me and I decide. That is a question of law.

Q.—That seems to be the way you deal with that. It is not intended to set you above the Executive Council in any way in directing the general financial policy of the Order? A.—Oh no. They set themselves above me sometimes.

Q.—They are always wrong when they do that. You have power to call meetings of the Executive of your own volition, or at the direction a majority of the members? A.—Yes.

Q.—Then you appoint all Committees? A.—That is in the Supreme Court.

Q.—Required by the constitution and laws, except the appointment be otherwise ordered by vote of the Supreme Court? A.—Yes.

Q.—That does not affect your business management? A.—No, it is just to select the men who shall act on the committees when the Supreme Court is in session.

Q.—The various Committees of the session? A.—Yes.

Q.—Then you can call special sessions of the Supreme Court or of the High Court, or of any Court or branch of the Supreme Court whenever you deem it in the interests of the Order to do so? A.—Yes.

Q.—Is that a power that is ever exercised? A.—I am not sure but what I exercised it once in the High Court of Michigan, when there was a movement to secede from the Order,

and in order to deal with the matter quickly I think I called a special meeting of the High Court, at which I knocked out the secessions.

Q.—At which you quenched the incipient fire? A.—Yes.

Q.—In view of the wide powers vested in the Executive, you have never had occasion to call a meeting of the Supreme Court? A.—No.

Q.—Important questions do arise and are decided by the Executive Council? A.—Yes.

Q.—Does it sometimes happen that the policy that the Executive is called upon to pronounce may be a policy which may not meet the previously expressed views of the Supreme Court itself; in other words do the Executive follow out the declared policy till the next meeting of the Supreme Court, or do they initiate policies? A.—They can initiate policies, but they certainly would follow out any policy indicated by the Supreme Court.

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Q.—They would not undertake to reverse a declared policy of the Supreme Court upon any question? A.—No.

Q.—But they initiate— A.—No, let me see. I think I am wrong in that. The Supreme Court gave us authority to take the lapses and use them in the extension of the Order. That was at the Los Angeles session of 1902, and in my absence the Executive reversed that policy and declined to take the money. That is the only instance I know.

Q.—When you came back, then what? A.—To tell you the truth I think I used the English language in connection with the matter. You know we Mohawks cannot swear except we know the English, and of course I had to assent. It is not very agreeable to be in disagreement with your Executive. I had to assent to their policy, but I thought then and think still that it was a mistaken policy. But I carried it out.

Q.—The Executive did not review its own action at your instance and restore the pre-existing state of things? A.—No, I never asked them to.

Q.—You used the English language, but didn't ask them to reverse their acts? A.—No, I think if we had carried out what the Supreme Court said we ought to do we would have had to-day twelve millions in the surplus.

Q.—You would have had the surplus piled up and also the debt? A.—So you say, but I am willing to accept the surplus.

Q.—And let the debt take care of itself? A.—And let the debt take care of itself.

Q.—You have powers to suspend charters of the High Court, or subordinate Courts? A.—For cause only. I think it is so stated.

Q.—I do not think it says so, but I would assume that the constitution of the body would be so read as to permit you to do that without cause. Then you would be the Judge as to the cause? A.—Yes.

Q.—Then you have power to suspend members, etc., to summon and try members guilty of any offence, to suspend and expel and generally to administer the law? A.—Yes.

Q.—Then the 12th is power with regard to banks; you have power to instruct the banks where your money is deposited not to allow any to be withdrawn except upon the cheque of yourself and Secretary and Treas-



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urer? A.—That is simply to protect the funds against any defalcation of the officer.

Q.—Nobody signs cheques except those three officials? A.—In every case where defalcations have taken place in Orders, it has been where the arrangement was with one man only, the Treasurer could check off the funds of the Order.

Q.—This means no more than that you communicate to the bank the contents of this Order which provides for the signing of cheques? A.—Certainly. That means that the bank will certainly obey a communication of that kind. If it did not it would not have our money there long.

Q.—Then there is a power of delegation here which seems to me to be wide again, but I will put it to you first; you have power to delegate by written commission, revocable at pleasure, to any member of the Executive Council, or to your Assistants, or any of them, or to such other person or persons as you may appoint for the purpose so much power vested in you by the Constitution and laws as to you shall seem expedient? A.—Yes.

Q.—Would you agree that it is wide? A.—It is wide, but being subject to the exercise of it by myself, the wideness of it is not dangerous.

Q.—From your standpoint? A.—You will see I am very conceited.

Q.—I won't say that? A.—But I am not afraid of the section because of the wideness of the power.

Q.—You feel that it is in your own hands? A.—Yes. And there are times when it is necessary I should delegate some special power which I have to some of my colleagues to exercise it.

Q.—Instance some of them? A.—For instance, to institute the High Court, it is necessary that I should be present. It is getting to be now that frequently I cannot be present at these Conventions, and then I delegate some of my colleagues the power to go and institute them.

Q.—Have the instances in which you have delegated power been instances of that sort—instances rather with regard to organization and discipline and management from the social standpoint rather than instances of your delegating some of your powers for the convenience of the Order? A.—I suppose with reference to the passing of claims, when I am absent the claims cannot stand, and

therefore I delegate one of my assistants to examine the claims for me in my place, and pass them or reject them.

Q.—Do you think of any other instance where moneys are affected? A.—Oh, there must be some other.

Q.—We will not deal with it just now. Perhaps you have some other? A.—I will hunt up the instances.

Q.—Then the acts of your delegates within the scope of the delegated power, until reversed or set aside by yourself, are to have the same force and effect as if you yourself had performed them? A.—Quite so.

Q.—Then there is a provision for someone taking your place if you are disabled by illness or other cause between Supreme Court sessions? A.—Yes.

Q.—He must be a resident of Canada, he must be the Executive officer next highest in rank, and he has to take temporary charge until your disability passes by? A.—Yes.

(Adjourned till 2 p.m.)

#### AFTERNOON SESSION.

Resumed at 2 p.m., September 18th, 1906.

Examination of Dr. Oronhyatekha continued:

WITNESS: I forgot to ask you to be permitted to put in the minutes of the Supreme Court.

MR. SHEPLEY: That is following the same line you were giving us this morning? A.—Yes.

Q.—These minutes will be put in as a whole, so that we will just give the reference now, the session of the Supreme Court, 1902, this is your annual report? A.—Yes. I deal more in detail with the subject.

Q.—Commencing at page 3 of the report and then going through to page 33. That will be specially emphasized in connection with what we were doing this morning, but in time the whole of the minutes will be in. Your normal field was Canada and the United States? A.—No, it never was intended from the first to confine it to them; we always had the idea we would extend.

Q.—I would change the word normal to the first field or earlier field of operation, it was Canada and the United States? A.—Yes.

Q.—When did you first take steps towards extending and in what direc-

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tion? A.—To extend the order to the United Kingdom?

Q.—Yes? A.—In 1891.

Q.—In 1891 this reference occurs in your report to the Supreme Court. I read the clause of your report which refers to that: "Since the last session of the Supreme Court we have instituted High Courts in Minnesota, New York, California, North Dakota, Illinois and Missouri. We have also broken land in Oregon, Washington, Colorado, Montana, Arizona, Wisconsin, Pennsylvania and Kansas, and last, though not by any means the least we have planted the banner of the I.O.F. in Great Britain, where I hope in the near future to have High Courts rivalling in numbers and in influence as well as zeal for our loved order our oldest and highest courts. Negotiations are also in progress now for the introduction of the order in New Zealand and Australia." When did you first actively take up with reference to this report the extension into Great Britain? A.—In 1890 or 1891.

Q.—What was your *modus operandi*, how did you start about it? A.—By the establishment of a subordinate court, I think it was in London, England, and the appointment of deputies to carry on the work.

Q.—That is to carry on the work of organization and extension? A.—Yes.

Q.—Did you proceed then steadily or was there any intermission in the progress of extending in Great Britain? A.—It was a steady progress, but very slow at first.

Q.—What was the state of your organization or business in Great Britain when it came to 1897? A.—We had made very fair progress.

Q.—You remember that in that year you made a visit there? A.—Well, I cannot say that I remember it, but I visited Great Britain almost every year after the planting of the order there. I think in that year the High Court of Midland was organized, covering the Midland Counties.

Q.—You had High Courts before that? A.—Yes.

Q.—What High Courts were in existence before you went there in that year? A.—The High Court of London I think was in existence.

Q.—Do you think of any other? A.—No. I don't think there was any other.

Q.—The Midland High Court was the second High Court? A.—Yes, if I remember correctly.

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Q.—I find in the minutes of the 23rd April, 1897, a minute which I shall have to ask you to read; I have a translation of it but I am not sure; I am afraid it is in Mr. McGillivray's writing and it is rather difficult to read: "Upon the request of Brother Marter, who is about to proceed to Europe with the Chief to engage in Forensic work there, Miss Jessie Bayly was ordered to the London office subject to recall by the Chief?" A.—I do not think that is Jessie Bayly.

Q.—Is there any other lady with a similar name? A.—Yes, that is the name.

Q.—There was a young lady of that name? A.—Yes.

Q.—Does that bring anything to your recollection at all with regard to the work of that year in Great Britain? A.—It is just in connection with Marter's name; I took over four or five organizing officers with Mr. Marter in order to push the work in the United Kingdom.

Q.—What Mr. Marter is that? A.—The Mr. Marter.

Q.—Mr. George F. Marter? A.—G. F. Marter.

Q.—Did he occupy an official position in the order at that date? A.—Just an organizing officer.

Q.—And you took over a considerable staff? A.—I took over I think Mr. McNair, Mr. Williams, Mr. Gilmore, and Mr. Campbell.

Q.—You were making apparently preparations for a vigorous attempt at extension? A.—Yes. These men had worked for me and under me in Canada and the United States and understood the work well, and I sent them over in order to get the benefit of their experience as organizers in the work in connection with the United Kingdom.

Q.—See if I am right about this; it seemed to me that at this period we reached a distinct phase of your English extension, that you at that time were making more pronounced efforts, making perhaps an epoch in your extension? A.—I do not think so; we were making efforts before, but I thought by taking these old and experienced organizing officers they would be able to succeed better than the organizing officers I had, and they would teach the methods we adopted more effectively than by correspondence.

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Q.—How long were you there yourself that summer, do you remember?  
A.—Not very long.

Q.—I see another resolution in August with regard to your expenses, so you apparently had got back in August, leaving in April or May? A.—Yes.

Q.—Did you leave your organizers and organizing staff there? A.—Oh yes.

Q.—How large a staff was there altogether? A.—The Canadians were Mr. Marter—

Q.—You have given the names? A.—Those are the Canadian sections.

Q.—But you had on the ground—  
A.—Yes, but I could not tell you off-hand how many deputies I had over there working.

Q.—Could you tell me approximately whether there were 100 or five? A.—There were probably 8 or 10.

Q.—So that you had altogether engaged in pushing forward the extension of your Order in Great Britain that year a staff of perhaps 15 or 16? A.—About that, yes.

Q.—Before going further with it I have the record here, I would like your assent to it if you can give it, some figures with reference to your work in Great Britain and Ireland, commencing in 1896 and coming down to last year, and it has been arranged for me in this way: in the first place under the head of receipts we have mortuary receipts, sick and funeral receipts and general receipts. would those be recognizable divisions? A.—Yes.

Q.—I am going to ask your attention to the figures as I give them, if you can say you think they are approximately correct that will do for my purpose.

MR. HUNTER: That is a statement we gave you.

MR. SHEPLEY: I think we compiled it.

MR. HUNTER: No, I think that is exactly it.

MR. SHEPLEY: Q.—For the year 1896 your mortuary receipts were \$45,000 odd? A.—Yes.

Q.—For 1897 \$52,000; 1898 \$68,000; 1899 \$86,000; 1900 \$94,000; 1901 \$106,000; 1902 \$118,000; 1903 \$127,000; 1904 \$129,000; 1905 \$133,000, or a total of \$964,619? A.—Let me say if you got them from us they are absolutely correct, and I should say that these figures would be about correct.

Q.—They sound right, they have the right jingle? A.—Yes.

MR. HUNTER: Yes, those are the figures.

MR. SHEPLEY: Those were mortuary receipts in Great Britain and Ireland? A.—Yes.

Q.—Your sick and funeral receipts were—I won't give the constituents because they are small, but the total was \$5,109 during those years? A.—Yes, very small, because we never pushed our sick benefit work over there.

Q.—Your general receipts, apart from the 5 per cent. off the mortuary fund, which is taken separately—we may give the round figures again in these respective years—\$4,000, \$6,000, \$9,000, \$11,000, \$9,000, \$11,000, \$11,000, \$11,000, \$11,000, \$11,000 or a total of \$98,867? A.—Yes.

Q.—To which you add 5 per cent. off the mortuary fund which you are permitted to use for expenses, which is \$48,230, making total on general receipts of \$147,098, and after deducting the 5 per cent. from the mortuary receipts you have the revenue on mortuary receipts of \$916,388? A.—Yes.

Q.—We will take the other side of the account under disbursements in these respective years; we have in 1896 \$11,000; in 1897 \$14,000; 1898 \$37,000; 1899 \$24,000; 1900 \$34,000; 1901 \$51,000; 1902 \$30,000; 1903 \$43,000; 1904 \$54,000; 1905 \$61,000; or a total of \$364,000. Your sick and funeral disbursements were \$1,901, and your general disbursements were \$371,237? A.—Do I understand that that \$61,000 you mentioned, the last sum there, as disbursements of the general? A.—No, disbursements of the mortuary fund.

Q.—I suppose those are correct; you disbursed \$364,000 for mortuary benefits; \$1,901 for sick and funeral benefits, and \$371,000 on general accounts? A.—Yes.

Q.—Do you think that the figures in respect of mortuary disbursements here confirm your theory about the benefits of special medical selection? A.—No. Those figures alone would not confirm that.

Q.—Do you offer any observation with respect to this very large excess of your general disbursements, that means expenses of course over the moneys you had applicable for that purpose? A.—Simply because it was a missionary field and we were dealing with the field just as we have dealt with every other missionary field, take the contributions from



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other sources and add to what we receive in the locality in order to carry on efficiently the work of the Order.

Q.—The occupation of a missionary field involves more or less danger from the cannibals among whom you are preaching? A.—Yes.

Q.—And you expended not only the \$147,000 which you had for that purpose but more to the tune altogether of \$371,000? A.—Yes; we expended in the same way in the United States when first we were establishing the Order. The expenses were very much greater than the receipts and we used our Canadian surplus as a missionary fund to extend the work in the United States until we arrived at a time when they became self-supporting, and later on a contributor to our funds.

Q.—That was rather a financial current out of Canada than into it? A.—Yes, but then we expected the returns afterwards, and we are getting them now every day, and that is the experience of every insurance company of every business, when establishing it in new territory the expenses are very much higher than the income.

Q.—We have found it so in this Inquiry, your experience is not abnormal in that respect? A.—No.

Q.—Of course your expense in connection with your extensions—and I am not confining it to Great Britain—generally has been largely in excess of all you have had available from that extension tax that was made on the Order? A.—I think so, in the foreign jurisdiction where we are establishing the Order new it costs us a good deal more than the revenue we derived from—

Q.—Then the following year, in 1898, you were again sent to Europe to take steps to introduce the Order upon the Continent? A.—Yes.

Q.—Under the date of January 13th, 1898, I find this minute: "Resolved that the Chief"—that would be yourself? A.—Yes.

Q.—"Be requested to proceed to Europe for a period not exceeding four months for the purpose of making the necessary inquiries and taking the initial steps necessary to the introduction of the Order upon the Continent of Europe? A.—Yes.

Q.—That of course was as distinguished from the British Isles? A.—Yes.

Q.—You do of course remember that visit? A.—Not specially.

Q.—What parts of the Continent did you go to? A.—You see the instructions were to survey the field.

Q.—To make the necessary inquiries for the initial steps? A.—And if necessary to take the initial steps for the introduction of the Order, and I could not tell you what parts of the Continent I visited.

Q.—Cannot you tell me even approximately? A.—No, because on one occasion I went to France and Italy and Egypt.

Q.—Egypt would not be on the Continent of Europe as I remember? A.—The resolution would include that.

MR. KENT: If it did not I suppose it could be amended later so as to include it? A.—Well, even if it was not recorded in the minutes my actions were always submitted to the Executive and they always approved of my actions.

Q.—What I say is the minutes could be rectified? A.—Yes, to be made to include Egypt.

MR. SHEPLEY: There is a good deal shorter cut to it than that, the doctor's decision is final under the constitution, and if he decides this resolution covers Egypt it does? A.—But I have not sufficient responsibility; my powers did not include anything of that kind, it is a question of law it included.

Q.—Do you recollect whether you did as a matter of fact establish any court that year on the Continent? A.—

I do not think so. There was one time on my visit in Egypt I took steps to introduce the order there and it looked very hopeful, initiated one of the best lawyers in Cairo, and he was very enthusiastic about the order.

Q.—Perhaps that is only a tribute to your powers of persuasion? A.—And strongly advised me to take steps to introduce it, and that is the reason I initiated him before any laws were enacted against fraternal orders.

Q.—I do not find any mortuary receipts or disbursements during that year, so that you no doubt are quite correct that that year you were only viewing the landscape? A.—Yes.

Q.—What more did you do than that in that year besides just travel over the ground; I want to find out what steps you took towards doing what the resolution required you to do, making enquiries? A.—I do not think I did anything.

Q.—You did not even make enquiries? A.—Oh certainly, that is what I was sent for.

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Q.—I want to know what you did in the way of carrying out the resolution? A.—In France I tried to find out the law with regard to the introduction of the order, as to what we would have to do precedent to organizing a subordinate court, and the same way in Egypt, and the same way in Italy, inquiring into the laws and as to the prospect if we introduced the order in these countries.

Q.—To bring it to a conclusion, because we do not want to take up too much time over that year, was the result of your inquiry satisfactory and encouraging or otherwise? A.—I thought so.

Q.—You thought encouraging? A.—Yes.

Q.—It may be useful just to note the precise date when you did commence operations in these countries. Scandinavia, that would be European of course? A.—Yes.

Q.—Your first mortuary receipts there seem to have been in 1901, and then 1902 it commences and runs on to 1905; that would accord with your recollection? A.—Yes.

Q.—Did you establish anything in Egypt? A.—I told you—

Q.—In the end? A.—No.

Q.—Nor in Italy? A.—No.

Q.—So far as the Continent was concerned you confined yourselves to — A.—France, Belgium and Scandinavia.

Q.—What do you include in Scandinavia? A.—Denmark and Norway.

Q.—Sweden? A.—Sweden is included in the operations, but we never took advantage of it, and actually introduce the order therein. We wanted to establish it strongly in Denmark and Norway before extending to Sweden.

Q.—Your first receipts in France Belgium seems to have been in 1900, that is you were on a footing doing insurance business in 1900? A.—Yes.

Q.—It is fair to say that in respect of France and Belgium the figures bear out your theory about the effect of medical selection, because you had not, although you were doing business in 1900, any mortuary disbursements to make until 1903? A.—No.

Q.—If I understand you correctly you viewed the field in 1898, established no courts, and in the end when courts were established so far as the Continent was concerned you confined yourself to Scandinavia, France and Belgium? A.—Yes, and I think we would have succeeded very well in

France but unfortunately. I think the year after we established our courts there the Government repealed the law under which we were acting owing to some difficulties with local organizations, just withdrew the power.

Q.—That was fatal of course? A.—Well, for our organization, we could have got a license out as a regular insurance company but I did not like that.

Q.—That is something against which you have always set your face, that is putting yourselves upon the footing of an ordinary insurance company? A.—Yes, because the moment we would consent to be so regarded in one country here is the whole of the United States that we might be shut out unless we expended large sums to get licenses.

Q.—In fact in Canada too? A.—Yes.

Q.—That perhaps points the question I asked you to-day as based upon an improbability, the question as to what would happen if your organization became illegal? A.—Yes. I of course appreciated the importance of the question but I am always disposed to shake hands with the devil when I meet him, and when we get adverse legislation or when it is introduced—

Q.—You got it in France? A.—Yes, but if any attempt of that kind is made in Canada or the United States where we are strong we would fight it first, and if we were defeated then we would take steps to do something else to get around it.

Q.—So far as the minutes show matters with regard to foreign extension were stationary till a year from the following September, that would be September, 1899; does that accord with your recollection? A.—Yes, I think so.

Q.—And in September, 1899 this took place—first, though, not to pass over anything—what took place at your meeting of the Supreme Court in 1898 upon the subject; do you remember that the subject was discussed—this is what you say—I am reading from the report of the Chief Ranger at the meeting of the Supreme Court of 1898, and I am reading from the first page of it—it is appendix A to the minutes: "In Europe as in America we are advancing a pace through the indefatigable efforts of our European manager Brother James Marshall. We have crossed the German Ocean and planted the order on the

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Continent of Europe by the organizing of a sufficient number of subordinate courts to justify the institution of the first continental High Court, which notable event took place at Christiania, Norway, 7th July last"—that would be 7th July, 1898? A.—Yes.

Q.—So that there were established sufficient courts in Norway to make a High Court? A.—Quite so. They were established by Captain Reynolds, one of my deputies.

Q.—That I think is, so far as I can recall, the sole reference in the minutes to this matter? A.—Yes.

Q.—You do not know of any other? A.—No.

Q.—If there is any other it will be on record as the whole minutes will be in. On September 1st, 1898 in the Executive minutes I find this minute: "Resolved that the S.R.C. be instructed to take what steps he may think necessary to open up the work of the Order in Australia, New Zealand, Van Dieman's Land, South Africa, India and islands and countries contiguous thereto"—you remember that resolution of course? A.—Yes.

Q.—What did you do in consequence of that resolution? A.—I went to India and established a very excellent subordinate court in Calcutta composed of natives I think exclusively, and of a very high class. One of the members was a member of the Governor-General's Council which is a very high position in India. Another was a Rajah, and I think about 20 were lawyers.

Q.—Lawyers are always alive to anything that is new? A.—Yes, high-class. Then I went to Australia and planted the order in Victoria, the State of Victoria.

Q.—What place? A.—Melbourne, and got a license in South Australia, Adelaide would be the capital.

Q.—Were they called Provinces then? A.—No, States. I objected very much to them calling them States but they did not seem to pay any attention to me, and I did not do it myself, but I sent Mr. Marshall who accompanied me, the General Manager of Great Britain, to Sydney, New South Wales, and established the Order there.

Q.—That was an island contingent thereto? A.—Yes.

Q.—It is not mentioned here but it is part of Australia? A.—Yes, and then through him also the Order was established in Queensland, that is away up north, the northern States.

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Q.—Was that all done that year during that visit of yours, or did it take a year or two to have that work done? A.—It took me a year or two. I left Mr. Marshall there and he established—

Q.—Running through 1900, perhaps and into 1901? A.—I should not wonder.

Q.—That accounts for Australia, India and we have not heard anything about New Zealand? A.—No, I did not establish the order in New Zealand, I had not time to go there.

Q.—Nor Van Dieman's Land? A.—No.

Q.—Nor South Africa? A.—No. Those are fields that are yet open to conquer.

Q.—Fields that are yet open to conquer when you get your forces ready to march on them again? A.—When the opportunity comes.

Q.—I will just follow that down; on the 2nd October, 1899, I find this minute: "The S.C.R. was authorised to take with him a letter of credit for £25,000 when starting for Australia for the purpose of making a deposit or deposits with the Governmental authorities in Australia or elsewhere he may open up the work of the Order and for payment of the necessary expenses in connection therewith; and the S.C.R. was instructed to take with him his Private Secretary." Those are the minutes relating to it? A.—My journey to India and Australia.

Q.—And a further minute which I had omitted to notice before: "The S.C.R. was authorized to prescribe what rates he deems necessary in any new territory which may be opened up to Forestry hereafter?" A.—Yes.

Q.—What was the occasion of that? A.—The authority was vested if I remember correctly in the Executive to prescribe these rates in any new country to which we might extend our work, and the Executive passed that vesting the power in myself to establish those rates, and I did so in India. I established a rate equal to our extrahazardous rates for India.

Q.—You hardly I think, caught the purport of the question: I wanted to get at this; what was the reason for authorizing you to make a difference in the rates? A.—Because if we establish our Order in a country where it was supposed to be unhealthy we exact higher rates from our members. If our members go to the southern States, at least it used to be so, I think it is removed now, we used to



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ask them to pay extra rates because the country was supposed to be unhealthy. So also in going to Alaska where the conditions of life were not conducive to health, we thought, we established a special rate for Alaska. That was the reason.

Q.—Was it the purpose in whole or in part to endeavor to make each field that you occupy self-supporting, had that anything to do with it? A.—No, of course we expect every field in which we institute courts in the end to become self-supporting.

Q.—In the same sense you expect each policy to carry itself? A.—But the object was to realize the taxation.

Q.—That is to make those who are living under different conditions— A.—Under unhealthy conditions pay more.

Q.—Pay accordingly? A.—Yes.

Q.—What means did you take at arriving at the rates that should be charged? A.—I looked into the rates charged by the English companies in India and arranged our rates accordingly, adding a percentage to them so as to be quite sure that we would get enough revenue to pay our business there. It was with the thought that it was very much easier to lower rates than to raise them afterwards.

Q.—As I understood you you did not at all adopt the English rates for India? A.—No.

Q.—But you accommodated your usual rate to that? A.—Yes.

Q.—By making such an addition to your usual rate as would represent a corresponding increase in it, your original rate in other words was lower than the original English rates? A.—Yes.

Q.—And you added enough to your lower rate to correspond— A.—Not to correspond.

Q.—But to answer the same office? A.—I looked at the rate charged by the English companies, and then estimated what would be a fair addition to our rates in accordance with those rates.

Q.—You adjusted your rate having regard to the fact that the British rate for that country was greater than the domestic rate? A.—Exactly.

Q.—Then following the business down I suppose you carried that letter of credit for £25,000, you took it away with you? A.—Yes. We had no idea what would be necessary, what we would be called upon to deposit in the various countries in which we would open our work, and they wanted to give me enough to cover all contingencies.

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Q.—Then we have been furnished with this as an account of the expenditure of the £25,000, and I want to get rid of that and get that with the general history, but as the £25,000 was mentioned in that minute I want to deal with it now. The first expenditure I see is India £4,931.10.

MR. HUNTER: That was deposited there.

MR. SHEPLEY: If you will just glance at this, the first item is £4,931.10, what is that? Mr. Hunter tells me it was a deposit that was made? A.—Not all of it.\*

MR. HUNTER: Yes.

WITNESS: Well, I am advised that that is for deposit, and I have no doubt it is correct.

MR. HUNTER: We showed Mr. Cross the particulars of that.

MR. SHEPLEY: Mr. Cross tells me that is right. Then what was the nature of that deposit, do you recall? A.—It was a deposit with the bank, two banks if I remember correctly, the Bank of India and the Commercial Bank of India, to be used for the payment of any expenses that might arise in connection with the work.

Q.—It was not in the nature of a Government deposit? A.—No.

Q.—It was a deposit made in two banks, as you remember? A.—For the work of the Order.

Q.—To whose credit was the credit made? A.—The Supreme Court.

Q.—Who had authority to draw against it? A.—Just myself, the three who are authorized to cheque out the money, myself, the Secretary and the Treasurer.

Q.—That money would be paid out upon the regular cheques of the Supreme Court Executive? A.—Yes.

Q.—That was for the purpose of meeting expenses that arose? A.—Yes, and death claims.

Q.—I see Victoria, for license, £5,000.8.2? A.—Yes.

Q.—Do you recall that? A.—Yes.

Q.—Was that a Government deposit? A.—Yes.

Q.—You were required to deposit £5,000 with the Government of that State for the purpose of doing business? A.—Yes; and I think we added to that afterwards £2,000 more. I hardly recollect why, but I remember the fact that we did.

Q.—Then the next item is Victoria, for deposit £2,020.3.3—what is that? A.—That is just what I referred to just now.

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Q.—No, Victoria for license £5,000?

A.—The other was a deposit for the same purpose with the Government.

Q.—That is £2,000 extra? A.—Yes.

Q.—So that you have deposited altogether with the Government of Victoria £7,020.11.5? A.—Yes. I think the £2,000 was added on the advice of our counsellor, Sir George Turner, that it would look well. We were having a desperate fight over there with the old line companies and he thought it would look well if we had it to spare to deposit £2,000 more than the Government actually required, and I did it.

Q.—That was the Government deposit in Victoria? A.—Yes.

Q.—The next is South Australia for license \$5,000? A.—Yes.

Q.—That was a Government deposit? A.—Yes.

Q.—Then the Supreme Court account, Melbourne, £1,000? A.—That is £1,000, a balance I left in the bank for working expenses.

Q.—Was that subject to the regular cheques of the Court too? A.—No, that would be subject to the Manager.

Q.—Subject to the chequing of the Manager? A.—Yes.

Q.—Who was the Manager? A.—Mr. Marshall.

Q.—Was he to stay in charge in Australia, or was he expecting to go back to England? A.—No, just temporarily. Mr. McNair afterwards succeeded Mr. Marshall as Manager.

Q.—Then the next is Supreme Court account, Melbourne, £152.17.3; that looks like what you had left when you were coming away? A.—It must be in addition to the other amounts.

Q.—That is a total of £18,104.18.8? A.—Yes.

Q.—And have those Government deposits been withdrawn since or any part of them? A.—No; we cannot withdraw them while we are doing business there.

Q.—What has happened, if anything, to the first item, £4,931.10 in India? A.—That has been withdrawn; on my recent visit I closed up the work there.

Q.—When you say your recent visit, what year? A.—Last year.

Q.—You closed up the work there and withdrew the funds? A.—Yes.

Q.—And the funds were brought back here I suppose? A.—Yes.

Q.—Of course that did not exhaust the whole £25,000 for which the letter of credit called, and the next item

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I see is £4,142.11.10, organizing work as per vouchers? A.—Yes.

Q.—Whose disbursing was that? A.—Partly mine, partly Mr. Marshall and partly Mr. McNair.

Q.—There were hotel expenses, yourself and secretary and Mr. Marshall, travelling expenses, railway tickets, India, France, Germany, Belgium, Australia, self, Secretary and Marshall. Goods for Temple as per vouchers, that would be paraphernalia? A.—Hardly that, it was curios from those countries to decorate our Temple Building, the reception room for instance.

Q.—Decorations you say? A.—Yes.

Q.—Melbourne office, as per vouchers, that would be disbursements made by the Manager at Melbourne? A.—Mr. Marshall and Mr. McNair.

Q.—Then we have another item, decorations for Temple, in addition to the goods for Temple—this struck me as rather a singular thing, decorations for Temple bought from peddlars? A.—Yes, you can get in foreign countries for a quarter of what you have to pay in the stores if you buy them from peddlars.

Q.—Where would that be? A.—All over the country.

Q.—You are speaking of India? A.—India and Australia, everywhere.

Q.—Both places? A.—Yes, Ceylon, Italy, everywhere I went I picked up little curios for decorating our room in the Temple Building. Our rooms in the Temple Building used to be show rooms and served as an advertisement for the Order.

Q.—Then I see you paid your French license out of this too, £25? A.—Very likely.

Q.—The total comes to £25,032.4.2, leaving a balance due to Dr. O. of £32.4.2; that is you spent that much more or deposited or left behind you that much more than— A.—Than my letter of credit amounted to.

Q.—How long did Mr. Marshall remain in charge? A.—I think about a year or more.

Q.—Who succeeded him? A.—Mr. McNair, at Victoria, and I think it was Mr. Turnbull at Sydney when Mr. Marshall finally left Australia.

Q.—Do these expenditure here include all the expenditures that were made by Mr. Marshall while he was there? A.—I think they do.

Q.—Do they include expenditures made after he went away by those

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who succeeded him, Mr. McNair and Mr. Turnbull? A.—These?

Q.—Yes? A.—No.

Q.—You can draw the line at his leaving? A.—Yes. He went with me and I left him there immediately in charge, and I should imagine, although I do not speak it as a matter of fact, that there would have been a balance placed to his credit from which he chequed out his expenses.

Q.—And you would probably find in the vouchers for the organizing of the Order £4,142, Marshall's disbursements in respect of organization? A.—Very likely, I could not tell you that.

Q.—Mr. Cross tells me that immediately money started going from London to these fields in addition to the moneys you had taken; do you know how that is? A.—Except that the expenditures which became very high in Australia were very much larger than the money that I had left, and of course we would have to pay them out of our other funds.

Q.—And eventually of course that all came out of the Supreme Court? A.—Yes.

Q.—Then when did Dr. Montague go to that field? A.—I think about a year afterwards or perhaps more afterwards.

Q.—That is a year or more after you left or after Mr. Marshall left? A.—After I left.

Q.—That is he would have gone there about the time that Marshall left? A.—Very soon afterwards.

Q.—In what capacity did he go? A.—Inspector-General; I had received word that the management was being very extravagantly carried on, and the results were very little, and I sent him out to inquire into these things.

Q.—What position did he occupy here before he went, in the Order? A.—I think he occupied no position.

Q.—Then he was a special appointee for this particular work? A.—Yes.

Q.—Sent out to stop extravagance? A.—Exactly, and get life into the work. We were spending a large sum of money and getting very little results and I could not understand it, because when I was there there was a movement towards the Order which was very gratifying, and I expected very large results. I may have had Dr. Montague in the Head Office as editor of the "Forester" before going to Australia. I would not be surprised if I had.

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Q.—He was your appointee? A.—Yes.

Q.—Not the appointee of the Executive Council? A.—No.

Q.—No reference, I think I am speaking correctly when I say, is made to his appointment anywhere in the Executive minutes? A.—No.

Q.—What, having regard to the nature of the work that was required there, special qualifications did you suppose him to have? A.—In the first place he was a Privy Councillor.

Q.—What do you mean by Privy Councillor? A.—What everybody means.

Q.—No, you do not mean what I mean? A.—I mean as a member of the Cabinet, he had been a member of the Cabinet.

Q.—He had been a member of the Cabinet of this country? A.—Yes, and had been created a Privy Councillor. He had been a member of the Cabinet and he could speak pretty well.

Q.—A good talker? A.—Yes, and I thought if I sent some man of that standing and character he would be able to get into the class that I got first, men of standing in the commonwealth in the State, and if we got them the others followed much more easily.

Q.—Was he a missionary sent to Australia alone or did his mission include India? A.—No, just Australia.

Q.—He had not up to that time been taking any part in your organization or extension work? A.—I think I placed him in charge when he came as editor, there was not enough work for him as editor, and I think I placed him in charge of the organizing officers, or rather in charge over the organizing officers in this country and in the United States in which I had direct control working under me and with me in the office.

Q.—That is you put in a position of control over your organization staff a gentleman who had not been familiar with its work of organization at all up to that time? A.—Oh yes.

Q.—And you did that because of the qualities you thought you observed in him? A.—Yes, and part of his work as organizing officer would be holding public meetings.

Q.—He had been addressing public meetings in the interest of the Order? A.—Yes, in the interest of



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the Order. I think he had done that before I sent him to Australia.

Q.—Is it possible, without too much trouble, to find out the date of his appointment and when he went? A.—No trouble at all. I can give you that to-morrow morning.

Q.—That you think would be about a year after you came back, that would probably bring it about the year 1901? A.—Yes, either a year or a year and a half after I got back.

Q.—Following this down in its order and again uttering a protest against this handwriting: "Resolved that the Supreme Court Ranger be appointed and is hereby appointed to execute the engagement to be entered into with the administration of registration for the payment of taxes and of stamps"—I cannot make out the rest, are you familiar with the handwriting of Mr. McGillivray? A.—No, I never attempted to read it.

Q.—Perhaps we can shorten it by just reading the first line and the last: "Resolved that the Supreme Court Ranger be appointed to do generally whatever is necessary in France?" A.—The resolution sounds quite familiar.

Q.—What was the engagement referred to here, the engagement to be entered into in France? A.—In France; somebody had to agree to pay all the fines and other things to which our Order might be submitted, I mean the payment of the Government fees or any fines that might be levied upon the Order, somebody had to agree to pay those.

Q.—That is the Government of France had to have some bondsmen or sureties so to speak for the payment of taxes, for the payment of fines, for the payment of stamps, for the payment of registration fees and so on? A.—Yes.

Q.—And this was the resolution intended to authorize you to execute an engagement of that character, you of course to be indemnified by the Order? A.—Yes. I think it went a little further than that, to enter into an agreement with some institution over there which would be accepted by the Government, and if I remember correctly I entered into an agreement with the Credit Lyonnaise to guarantee these things, and I on behalf of the order executed the bond to indemnify the Credit Lyonnaise for any payment they might make;

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that is my recollection of that resolution.

Q.—How was it you did not get along in France without the Government having had such security as that prior to 1901? A.—We could not do business without that.

Q.—You were hampered in your operations? A.—We could not do any business, we could not begin until that was executed.

Q.—So far as the minutes disclose I do not find anything else with regard to your foreign field—when I speak of foreign field I mean over sea—till 19th December, 1904; does that agree with your general recollection? A.—It would just depend on what it is.

Q.—That is a matter of just passing interest, but I want to ask you about it, because it may bear on the conduct of your Australian business; I see on the date I have mentioned this minute: "In the matter of the petition of the High Court of Victoria to be allowed to grant sick benefits within the jurisdiction of their own High Court the supreme secretary was requested to communicate with the said High Court through Brother Roberts, Melbourne, Australia, requesting that their whole plan in detail be submitted before being dealt with by the executive?" A.—Yes.

Q.—Do you remember that subject? A.—Yes.

Q.—What was it? A.—We do not allow, at least the Act does not allow any branch of the order like the High Courts to give benefits.

Q.—Of any kind? A.—Yes. Our constitution does not allow High Courts to give any benefits of that kind.

Q.—The Supreme Court is the sole body which can issue certificates entitling people to money? A.—Yes, but on account of our anxiety to get along in Australia we asked that question, submit your plans in full, and then we will consider it.

Q.—It will be considered and we will see what we can do about it? A.—Yes.

Q.—What came of that afterwards? A.—Nothing; I do not think we ever got their plan; it was a sort of chimera.

Q.—That of course would have been quite an innovation into your constitution? A.—A very great innovation.

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Q.—On the 19th June, 1905, which would be about the time you would expect to hear from them, this minute occurs: "The application of the High Court of Victoria, Australia"—that is the same? A.—Yes.

Q.—"For permission to furnish their members with sick benefits was refused because of its being contrary to the laws of the order? A.—Yes. I do not remember that it was brought up again.

Q.—Did that action of yours give rise to dissatisfaction among the order in Victoria? A.—None whatever.

Q.—Did it put a damper upon the operations of your Order there? A.—I do not think so; it might have put a damper upon two or three of the ambitious officers who were wanting to handle moneys, but we never heard a whisper about any dissatisfaction in the membership.

Q.—You did not hear anything like this, that in order to compete with other friendly societies upon favorable terms it was necessary they should offer sick benefits? A.—Sure, they might have said that though we did not believe it.

Q.—You believe that the sick benefits which the Supreme Court conferred would be a sufficiently satisfactory feature to bear you out in competition? Yes; of course the only difference is in that distant jurisdiction it would take a little longer to pay the man who had been ill his benefits, that is the only thing in it.

Q.—Would be dissatisfaction among the two or three officials perhaps? A.—I do not say there was; I say there might have been.

Q.—That would perhaps have a tendency to make them indifferent in their work? A.—I do not think so.

Q.—You do not attribute to any extent your subsequent withdrawal from Australia to that? A.—No, no, in fact the last High Chief Ranger was a most enthusiastic Forester.

Q.—Before the coming of the last minute which is made let us just return very briefly, as we did in the case of Great Britain, to the results of your foreign extensions, and let us take first the continental extension, European extension, Scandinavia, that as you have told us was Denmark and Norway? A.—Yes.

Q.—Your mortuary receipts were as follows: In 1900 \$196.05; 1902 \$1,275; 1903 \$5,323; 1904 \$5,762; 1905 \$6,453. Your sick and fun-

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eral receipts altogether during the same period of years amounted to \$217.37. Your general receipts amounted to \$1,225.64, to which must be added five per cent. of the mortuary receipts, of \$950.50, making a total on general account of receipts \$2,176.14. Taking the five per cent. off the mortuary receipts you get the net mortuary receipts of \$18,060.06. Then your disbursements are as follows: mortuary disbursements 1899, \$2,000; 1902 \$1,459; 1904 \$1,949; 1905 \$1,478 or a total of mortuary disbursements in Scandinavia of \$6,887.56. There was no account of funeral disbursements at all? A.—No.

Q.—Your general disbursements were \$811 in 1898; \$1,367 in 1899; \$4,117 in 1900; \$10,400 in 1901; \$22,567 in 1902; \$21,622 in 1903; \$14,147 in 1904; \$12,709 in 1905, or a total of general disbursements of \$87,744.28; is it too strong to say with regard to the operations in Scandinavia that they were as far as they went disastrous, is that too strong? A.—Yes.

Q.—Why? A.—These are you might say a totally different country from the English speaking and they had to be educated, and by 1905 we were just entering the opening of prosperity, the accession of new members had increased from thirty or forty or fifty to over a hundred a month in the last month.

Q.—You are speaking of Scandinavia? A.—Yes, and we were just beginning to reap the fruit of the planting of the order in there, and I am satisfied that in the course of only a few years we would have been deriving very large revenues from the Scandinavia work.

Q.—Pardon me for a moment while I draw your attention to this fact, that there was no marked increase in your mortuary receipts during the three years, 1903-4-5? A.—But I told you in 1905 began the increase of membership, and the increase of mortuary receipts would not show appreciably until 1905 and afterwards.

Q.—Until after 1905 practically, because it does not show to any marked extent during 1905? A.—No, you must bear in mind that it is a very expensive thing to establish an Order in a new country.

Q.—As a result you have expended \$95,000 to get \$20,000 of receipts? A.—Yes, every insurance company does, when opening new fields, spend

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a large amount in order to plant its institution and get future returns.

Q.—Let us take India and see the showing for India where you had all the lawyers; that perhaps was not as good a feature as you thought? A.—Those lawyers stuck to the Order. They know a good thing when they see it, as a rule.

Q.—Your mortuary receipts were:

In 1900	\$8.09
1901	\$1,414.00
1902	1,928.00
1903	2,870.00
1904	2,732.00
1905	3,317.00,

or a total of \$12,271.00, from which deducting 5 per cent. for the general fund, or \$613.55, you have a net residue of mortuary receipts amounting to \$11,658.16? A.—Yes.

Q.—Then your general receipts were:

For 1900	.25c.
1901	\$912.00
1902	504.00
1903	151.00
1904	124.00
1905	156.00

or a total of \$12,271.00, from which adding the 5 per cent. for the mortuary fund gives a grand total of, general account, \$2,463.02, your mortuary disbursements were—

In 1904	\$964.00,
1905	999.00

And your general disbursements, commencing with 1900, and apparently running the last two years, 1904 and 1905, together as one, are as follows:

1900	\$3,272.00
1901	4,722.00
1902	8,314.00
1903	2,644.00
1905-5	4,269.00

That is about \$29,000 expended to get \$14,000. Let me call attention to another feature in respect to this. Your general disbursements were falling off? A.—Yes sir.

Q.—Is that a significant circumstance in connection with the India business? A.—That is quite a long time ago, two or three years ago.

Q.—1903-4 and 5? A.—The Executive had made up their mind not to push the work in India.

Q.—The significance of that is that that work was not being pushed in India? A.—Yes.

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Q.—And I suppose you were guided in your judgment as to that by your belief in the desirability of pushing the work? A.—Just that it was expensive, and the desire to get it in our income, that the work of these foreign jurisdictions has been cut off in order to bring down the expenditure. I still think that India is one of the best fields for the Order.

Q.—Just let us take what you have said for a moment, because that suggests some other rather serious reflections. You were refraining from pushing the work in a good field because of two things; your desire to keep within your income, and what was the other? A.—The determination of the Executive to cut off the work in these foreign jurisdictions.

Q.—That determination came this year. I am coming to that in a moment? A.—No, no, these things are discussed among us maybe two or three years before anything is done.

MR. HUNTER: I think it will be found in the minutes.

MR. SHEPLEY: I have not seen anything in the minutes about cutting off this field.

WITNESS: That is only a recent matter.

MR. SHEPLEY: Mr. Hunter thought there was something in the minutes about cutting off the foreign fields before this year.

WITNESS: I do not think so.

Q.—I think you are quite right; that there is no reference in the minutes with regard to that until this year? A.—I do not know that any official action was taken until this year but it had been discussed and practically agreed to.

MR. SHEPLEY: I do not see anything to the contrary of that, because that is not upon the minutes. I have not found it. Then with regard to France and Belgium we will see the condition of things there? A.—Yes.

MR. SHEPLEY: The weather is so oppressive, and the doctor is not strong physically; therefore it is desirable in the interests of the Inquiry that he should not be pressed so as to make him feel uncomfortable during the giving of his testimony, and I think perhaps it would be fair to adjourn now.

JUDGE MAC TAVISH: I think that is reasonable.

(The Commission then adjourned to 10.30 a.m. to-morrow.)



## SIXTY-NINTH DAY.

Ind. Order of Foresters.  
(Dr. Oronhyatekha, Ex'd.)

## MORNING SESSION.

Toronto, Wednesday, Sept. 19, 1906.

Examination of DR. ORONHYA-  
TEKHA continued:

MR. SHEPLEY: We were just about to touch upon the business done in France and Belgium when we adjourned last night. If you will give your attention to these figures and you are able to assent to them I shall be glad. The first mortuary receipts for France and Belgium are in 1900; the first sick and funeral benefits in the same year, and the first general receipts in that year. Then they run without intermission in each branch down to 1905 inclusive, and they are as follows: Mortuary \$233, \$773, \$1,646, \$1,749, \$1,621, \$1,207, making a total of \$7,230. If 5 per cent. for the general fund is taken off that leaves \$6,869 as the net result of the mortuary receipts. Then the sick and funeral benefits are small in amount. I shall not give the details of them; the total amount is \$182. The general receipts are also small in amount, the total being \$389, to which add 5 per cent. from the mortuary fund, \$361, and you have a total of \$750. The disbursements for France and Belgium are as follows: 1903 mortuary \$1,218; 1905 mortuary \$244. Then sick and funeral benefits in the last two years 1904 and 1905 \$174.74. Then the disbursements in respect of general accounts commence in 1900 and run down to 1905 and they are as follows: \$12,775, \$6,802, \$5,244, \$1,265, \$293 and \$171, or a total of \$26,553. That means that so far as these figures show your disbursements in respect of France and Belgium exceed your receipts by about \$20,000 or thereabouts? A.—The expenditures in France included our expenditures in connection with the Exposition, wholly separate from ordinary operations of the Order.

Q.—You are speaking now of the expenses which are very large in 1900? A.—Yes.

Q.—\$12,775? A.—Yes.

Q.—What have you in mind when you speak of your expenses in connection with the Exposition? A.—The salary of the man in charge.

Q.—Were you exhibiting anything? A.—Oh yes.

Q.—What were you exhibiting? A.—Our uniforms, our millinery as you call it, and the work of the Order, the literature, so as to lay the foun-

dation for the general work of the Order in France.

Q.—You were generally during the Exposition beating the Forestic drum? A.—That is right.

Q.—I notice that apart from the Exposition year there is a rapid falling off in the general disbursements, disbursements on general account, is there any significance in that? A.—Following the action of the Executive I fancy, the resolution of the Executive, to reduce foreign expenditure.

Q.—That is the matter of which we spoke yesterday in connection with one of the foreign fields? A.—Yes, I think you will find in all the foreign fields the same showing, decrease in the expenditure.

Q.—Lastly, so far as the foreign fields are concerned we come to Australia where there was a suspicion of extravagance, on account of which Dr. Montague was sent out? A.—Yes.

Q.—Your receipts there commence in 1900 and your disbursements in 1900 and your mortuary receipts are as follows: 1900 \$1,621; 1901 \$13,353; 1902 \$22,006; 1903 \$32,706; 1904 \$29,608; 1905 \$28,538.25. Your general receipts were as follows: \$528.57, \$2,176, \$2,329, \$2,657, \$2,108, \$1,824. The total mortuary is \$127,834. 5 per cent. of that to go to the general fund is \$6,391, leaving a net amount upon mortuary receipts of \$121,442, and a total including the 5 per cent. of the mortuary to augment the general fund of \$17,927. Before passing to the disbursements I ask you whether the same observation you have made with regard to the other fields applies to Australia, were you curtailing there during the last three years? A.—In Australia, yes.

Q.—Your receipts reached their highest in 1903? A.—Yes.

Q.—And after that they fell away? A.—Yes.

Q.—You were not pressing the work there? A.—No; there were other circumstances that occurred in Australia that checked the work there.

Q.—Can you tell us what they were? A.—The chief one is the Montague incident.

Q.—You are referring now to the Commission that was appointed there for the purpose of making inquiry into certain matters? A.—Yes.

Q.—I do not know that this is not just as good a time as any other to have what you have to say with re-

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gard to that? A.—I understood, or rather I knew because Montague informed me of it himself, that he had subscribed £50 for the party represented by Sir Alexander Peacock. Of course I do not know whether they were Conservatives or Liberals, but they were the Government Party, and he had made this subscription to acknowledge in a measure Sir Alexander's kindness and consideration for Dr. Montague, which very largely helped our work by giving him introductions to prominent men in Australia, and having him invited to any State functions that occurred while he was there. When I arrived in Australia Montague straightway told me of the subscription.

Q.—That would be your second visit to Australia? A.—Yes.

Q.—What year was that in, when did you go out to Australia the second time? A.—I think about 1902 but we will get the exact date somewhere. I informed the doctor that that could not be allowed out of the funds of the Order, and he replied at once "I never intended to charge that against the Order, but to pay it out of my own funds," and he explained why, because of the personal kindness to him of the Premier.

Q.—Tell me before proceeding further whether you understood that the Premier or members of his party had interested themselves in a Governmental way on behalf of the Order? A.—Oh no, I do not say that.

Q.—Was the Government being asked or was Parliament there being asked to do anything for the Order? A.—Parliament was being asked—no, a Commission had been asked for to inquire into the I.O.F.

Q.—A Commission had been asked for by whom? A.—A member of Parliament.

Q.—In whose interests? A.—Purely in the old line companies' interest, it would not be anybody else's.

Q.—You assumed that? A.—Yes.

Q.—You assumed the inquiry made in Parliament was being prosecuted on behalf of the old line companies? A.—Yes.

Q.—And a member of Parliament had asked for a Royal Commission? A.—Yes, and Sir Alexander from his seat in the House refused to give the Commission and gave reasons for such refusal being that after inquiries made by the Government in Canada and the United States I think, and Great Britain, they were satisfied that the Order was all right and refused the Commission.

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Q.—Was this refusal of the Commission by the Premier in the House before or after the subscription? A.—I think the subscription came after, I would not be sure about that.

Q.—You are giving me the account as you got it from Dr. Montague? A.—Yes, I understand so.

Q.—Just go on? A.—That was all.

Q.—That was all there was about it? A.—Yes.

Q.—Then there was a Royal Commission? A.—Afterwards, some time after that, and I think that was largely due to the agitation carried on by a discharged employee of ours.

Q.—You say you think that was largely due to agitation carried on by a discharged employee, who was the discharged employee? A.—Reverend Mr. McNair.

Q.—That was the gentleman you spoke of yesterday as having succeeded Mr. Marshall? A.—Yes.

Q.—How did he come to be discharged? A.—I was not satisfied with his management.

Q.—In what respect? A.—Well, in one respect he was too extravagant.

Q.—Advertised too much? A.—No, Marshall was responsible for the excessive advertisements, but when I returned I found that Mr. McNair had added three or four rooms to the offices to that which I had provided and which I thought were ample to conduct our business, and he had an army of clerks and an army of organizing officers, and we were getting very little results.

Q.—It was rapidly becoming an imperium in imperio? A.—Yes, that we won't stand from anybody. September, 1901, I went to Australia the second time.

Q.—Do you know a paper in Australia known as the "Australian Insurance and Banking Record"? A.—Yes.

Q.—Is that paper of good tone, satisfactory tone, or is it under the thumb of the old line companies? A.—I do not like to say it, but my private opinion is that nearly all the Australian papers would accept a quid pro quo for their articles on insurance matters. There are one or two exceptions.

Q.—I suppose the Royal Commission that was appointed was a subject of public importance and public interest in Australia? A.—Surely.

Q.—And no doubt a legitimate subject of discussion in the press? A.—Sure.

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Q.—Have you familiarized yourself with any of the literature? A.—No, the Order was not concerned in the Royal Commission; what I mean is that the Royal Commission did not notify us of its appointment or of the date of inquiry, nor did it ask for any papers nor books, just left us out entirely, and of course I took no steps to involve the Order in the inquiry.

Q.—This was what was published after the Commission had been appointed and before it had reported. I read this because I want to see how far your information tallies with what we have in this article. The heading of the article is "Allegation of Bribery the I.O.F.," that would identify the subject matter in your mind of course? A.—Yes.

Q.—"It has been known for some time past that since the Independent Order of Foresters," etc. (reads down to the words "Melbourne")—that would be McNair? A.—Yes.

Q.—"Reports of some queer doing," etc. (reads down to the words "reference to them")—that is not an unfair way of dealing with the rumor? A.—No.

Q.—"But it was not a surprise to some," etc. (reads down to the words "Premier of the State")—that is not exactly in line, it is a little more elaborate than what you have told me this morning? A.—Exactly in line with what I have just stated.

Q.—But it is more elaborate? A.—Yes.

Q.—Did you hear from Dr. Montague that there had been an offer to a candidate in the first instance and that then the offer had been renewed through the Premier? A.—No, I got that after the Commission was appointed; he simply told me of the payment of a subscription to the party funds.

Q.—In connection with the expenses of a particular candidate? A.—No.

Q.—You did not understand that? A.—No.

Q.—But it was the party of which your Alexander Peacock was the ruler? A.—Yes.

Q.—And it was in power at the time? A.—Yes.

Q.—"The facts are not in dispute, they have been freely admitted," etc. (reads to the words "Mr. George Mitchell")—did you hear of him? A.—No.

Q.—"M.L.A.," that is a member of the Legislative Assembly? A.—Yes.

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Q.—"Made a statement in the House," etc. (reads down to the words "from my own knowledge")? A.—I know nothing about that.

Q.—Dr. Montague did not tell you about that? A.—No.

Q.—"Dr. Montague offered him £50," etc. (reads to the words "he refused to accept the money")—that is not the way you heard it? A.—No.

Q.—(Continues reading to the words "had nothing to say"); do you make any comment on that at all from your recollection of what you were told? A.—Except to say that it is not an uncommon practice among politicians, as I understand it, to help each other in their contests even in this country, and it is just from the point of view as to whether it is so awfully improper to do such a thing. I think when a certain practice becomes very general that perhaps the blackness of it is reduced a bit.

Q.—"When seen too oft, familiar with her face,  
We first endure, then pity,  
then embrace."

You do not advance that of course? A.—No, I am not a politician.

Q.—The article proceeds: "It is only just to wait for Dr. Montague's version before forming a judgment," etc. (Reads to the words "Parliamentary purposes")—you appreciate that? A.—Yes. I do not think there would have been a word said if it had been understood from the first that it was a private subscription. I think the whole thing arose from trying to injure the Order through this incident.

Q.—What you think is that the incident, perhaps you will agree with me, was unfortunate in itself? A.—Exceedingly.

Q.—Was made a handle of by those opposed to the Order? A.—Yes. I remember saying to Dr. Montague when he first told me of the payment of the subscription that the Order would not re-pay him for that, and as I said, he immediately said, "No, I did not intend it," and then I advised him not to talk about it, not to tell anybody about it, because of the apprehension that it might be sought to use it against him.

Q.—The money had of course been paid out of the I. O. F. funds? A.—No, sir.

Q.—Dr. Montague was furnished with the money to take over there, was not he? A.—Quite so, but any payments he made on his own per-



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sonal accounts, although paid out of the funds, he would have to re-pay.

Q.—What I meant was so far as you are aware the only moneys he had out of which to make payments at all would be the funds of the Order? A.—No, we were paying him his salary right along.

Q.—While he was in Australia? A.—Yes.

Q.—Then he had a fund to account for, and if the fund were found to be charged with a personal payment that would be disallowed? A.—Certainly.

Q.—And do you say that in this particular instance the Foresters' funds had never borne any part of that £50? A.—No, sir.

Q.—You assure me that the funds of the I. O. F. have not paid any of that? A.—Not a cent of the I. O. F. funds have been paid on account of this £50 either directly or indirectly.

Q.—"The Government has appointed Mr. Justice Hood as a Royal Commission" (reads to the words "it is not wanted here")? A.—Now I can tell you the character of the paper, that this article was written entirely in the interests of the old line companies.

Q.—You mean that the mind that composed the article was a mind tainted with old line ideas? A.—I do not know what its ideas may be, but I have no doubt it received money for that very article.

Q.—You have no doubt money was paid for that article? A.—The concluding paragraph will lead any fair man to say that the writer was not a fair and unprejudiced writer.

Q.—It would lead any person to suppose that the writer did not approve of the insurance methods of the Foresters? A.—What right had he to assume that these were the insurance methods of the I. O. F. when he had not a tittle of evidence to show, and as a matter of fact the I. O. F. was not concerned in it at all.

Q.—You say the slip he makes, if he makes any slip, is in speaking of your system as an assessment system? A.—That would not matter so much because we have stood for that a quarter of a century.

Q.—"Where the assessment system as its working becomes better understood will never become popular"—that does not describe your system properly according to your view? A.—No.

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MR. HUNTER: What the doctor is referring to is the methods of the I. O. F.

MR. SHEPLEY: Just read that clause yourself: "Some time must elapse before the Royal Commission can report," etc. (reads down to the words "the best thing the I. O. F. can do is to immediately afterwards fold up its tents")? A.—That is to say whether we are guilty or not we had better fold up our tents and get away.

Q.—Because your system being an assessment system was faulty? A.—Yes, and not wanted in Australia.

Q.—I think you quite concur with what I should have supposed was the construction of that clause? A.—I think I do, that is, the intention of the article was to begin the work of running us out of the state.

Q.—It was at all events to condemn the assessment system and to condemn you, because you had an assessment system, as they seem to have supposed? A.—Put it that way.

Q.—It may have been misrepresentation purposely, but it may have been otherwise; however, that is not very material, is it? A.—The editors in Australia understand insurance pretty well and understood us, and what they wrote could not be put in the plane of not understanding our system.

Q.—Would you necessarily require every person who understood your system to approve of it? A.—Oh no.

Q.—Many a man in good faith disapproves of your system? A.—Surely; but the very man who understands to-day the system of insurance as carried on by these fraternal societies ought to approve of the I.O.F.

Q.—The next document that I offer I do not want to have it understood that this is also from the insurance paper that published the other, is contained in a letter which is signed F. W.—that, I suppose, does not convey any identity to your mind? It is called "Our Australian Letter," and is published in the "Monetary Times" you knew the "Monetary Times?"—I have heard of it, it is one of the journals that has been predicting the death of the I.O.F. every five or seven years.

Q.—It is one of the scoffers? A.—Yes.

Q.—The letter deals among other things with the Royal Commission and reads as follows: "The Royal Commission appointed to investigate the bribery charge," etc. (reads to the words "than any one else"). That

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looks as though the Royal Commission there was supposed to be hushing up things—that may have been a mistake? A.—It is the conclusion of the "Monetary Times."

Q.—Or its correspondents? A.—It may be taken for what it is worth.

Q.—"A document turned up which required that he should be called," etc. (Reads down to the words "under his skin yet")—I suppose Dr. Montague did not tell you anything of that? A.—No.

Q.—"The Counsel for the Government prosecuting the Inquiry did not make a speech," etc. (Reads to the words "Counsel representing Dr. Montague did")—you were represented by counsel? A.—I think as a matter of fact we were, and it was done by some of my assistants without consulting me first, otherwise I should have maintained the position that the I.O.F. had nothing to do with it, had not been summoned, and we were not going to push ourselves into the matter, but when counsel was appointed I of course upheld it.

Q.—Did you appoint Australian counsel? A.—Yes.

Q.—Who selected? A.—I do not remember.

Q.—That would be selected by Dr. Montague? A.—I fancy it would be by Mr. McGillivray.

Q.—The statement is that Dr. Montague was also represented by counsel? A.—Oh yes.

Q.—He of course was directly concerned? A.—He is the one that should have been represented by counsel.

Q.—Dr. Montague himself did not go, he was not there? A.—No.

Q.—He did not offer his testimony at all in disproof of any allegations that were made? A.—No; I think he sent an affidavit answering the—

Q.—But he did not go to Australia? A.—No.

Q.—Was the question of whether he should go or not discussed between you and was it owing to your advice he stayed away? A.—No sir.

Q.—How did he come to stay away, or do you know? A.—It costs something to go there.

Q.—A man's character is worth something presumably? A.—Yes, but then the point of view that I sought to impress on him was that it could not possibly amount to anything, the charge that he had given a subscription to a party in Australia, a thing

I dare say he does every year in this country.

Q.—But not in Australia every year? A.—No.

Q.—You do not of course doubt this, do you, that whatever is clear it is clear that Dr. Montague in making that subscription was intending to benefit the Foresters? A.—I have no doubt that that was his ulterior object.

Q.—His direct object? A.—Yes, put it so.

Q.—He must have been indifferent to the politics of the country? A.—Yes.

Q.—He must have been personally indifferent to the politics of the country? A.—No, as a matter of fact Sir Alexander Peacock had paid great attention to him, personal kindnesses.

Q.—But this was not according to the facts as they are stated here, if they are facts, this was not for the benefit of Sir Alexander Peacock but for the benefit of Mr. Mitchell? A.—The subscription?

Q.—Yes? A.—Oh well, the application of the money is another matter, but what I am trying to explain is Montague's object in giving the subscription.

Q.—Then we go on with the article: "There was no speech by the counsel for the government prosecuting the inquiry, but there were speeches by counsel for the Foresters, for Sir Alexander and for Dr. Montague." "The finding of the Judge is all the more severe from the moderation displayed," etc. (Reads to the words "Dr. W. H. Montague")—do you object to that as a statement of the finding that was made? A.—Most decidedly I do.

Q.—Did the Judge find these things? A.—Yes; he had not a tittle of evidence to show that the Foresters were connected with the Montague payment to Sir Alexander except that he was our agent.

Q.—Except he was the general accredited agent of the Foresters? A.—Yes.

Q.—He was so far as the Order was concerned at the head of affairs there in Australia? A.—Yes.

Q.—Do you combat this at all that he was then desirous, as agent of the Foresters, of having a commission appointed for the purpose of giving the Foresters a foothold in Australia, in Victoria? A.—No, I do not think so;

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we had a foothold in every State at that time.

Q.—You have told me that a commission was being applied for? A.—Applied for to inquire into the bona fides of the I.O.F. and the Premier replied "I have made inquiries and I find they are all right and therefore a Commission is not necessary, and I refuse it."

Q.—You do not remember whether it was prior to that or afterwards that the money was paid? A.—I do not.

Q.—Of course if it was prior to that it is not unfair to suggest or to think until it is explained, that probably the money had the purpose of bringing that result about? A.—Yes.

Q.—The Foresters did not want the Commission? A.—No.

Q.—The Foresters were pleased with the action of the Premier? A.—Certainly; we did not care a snap whether the Commission was appointed; we knew we could make out our case before any Commission that might have been appointed out there.

Q.—There is a statement which I should like to have some explanation about: "This last finding which was unexpected was due to the extraordinary affidavits put in by the officers of the society," etc. (Reads to the words "society's treasurer")—what extraordinary affidavits are there referred to? A.—I do not know.

Q.—What affidavits were sent over? A.—I could not tell you.

Q.—Who will know about that besides Dr. Montague? A.—Montague would know probably; I could find out for you perhaps.

Q.—That could be found out? A.—I fancy so.

Q.—Can copies of the affidavits be furnished us or drafts? A.—That I do not know.

Q.—You will have inquiries made as to that? A.—Yes.

Q.—I want to have all the material or copies of all the material that was sent over on behalf of the Foresters or on behalf of Dr. Montague? A.—Yes.

Q.—Then I suppose that between the office of the Order here and the office of the Order in Australia there were letters written about this Commission from time to time, there was correspondence upon the subject? A.—I do not think so.

Q.—There must have been? A.—No; the manager over there had nothing to do with the matter; none of

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us had anything to do with it as officers of the Order.

Q.—Apparently Counsel was retained; counsel appeared purporting to represent the Foresters—that would not have been done without correspondence? A.—It may be.

Q.—Will you ascertain how that is? A.—Yes.

Q.—And if there is any correspondence please let me have that also? A.—Surely.

Q.—After the Commission had completed its labors and reported did you get a copy of the report and a copy of the evidence? A.—I would not say either yes or no; I knew of course from the newspaper reports of the finding of the court, what it was.

Q.—Will you ascertain whether you have that? A.—Yes.

Q.—A copy of the report and a copy of the evidence? A.—Yes, I should imagine that the officer in Australia would send me a copy, but it may have been just a newspaper clipping.

Q.—It would be more likely you would get everything that bore upon the subject, it was a matter that affected you or might affect you very decidedly? A.—Yes, but I say our understanding was we had nothing to do with it.

Q.—And any correspondence upon the subject, both before and after the Commission made its report? A.—Yes.

Q.—Between anybody here and anybody in Australia? A.—Yes. I understand you mean anybody connected with the Foresters—the head officers here and the officers in Australia?

Q.—That would seem to be wide enough I think. Just for the purpose of having all the light you can upon the subject, you recognize this as the contract between the Order and Dr. Montague covering his services in Australia? A.—Yes.

Q.—This is a contract made in duplicate 9th February, 1901, between the Order of the first part and the Honorable W. H. Montague, M.D., of the second part: "Whereas the Supreme Chief Ranger of the Supreme Court of the Independent Order of Foresters hath by virtue of the constitution and laws of the said Order authority to employ." (Reads.) That is, he was appointed your deputy? A.—Yes.

Q.—That is the agreement under which Dr. Montague was sent out? A.—Yes. (Exhibit 450.)



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(Extracts from "Economist" and "Monetary Times" respecting the Montague incidents in Australia, Exhibit 449.)

Q.—This is the agreement? A.—I think that agreement was made at a time when there was no thought of sending out Montague. What I want to say is that my impression is that that is a general agreement made with Montague when he entered our service, because yesterday you asked me whether he had served us before he went to Australia. Here he is appointed as organizing officer, and when things were going wrong in Australia in reference to organizing it would be natural that I should send a prominent and able man among my organizing officers, to go out there.

Q.—Then I am afraid I have not got it right yet about the dates. Mr. Harper tells us that it was—I have forgotten the month, but in 1901 you made your second visit—

MR. HARPER: September, 1901.

MR. SHEPLEY: Q.—That you made your second visit to Australia? A.—Yes.

Q.—On the occasion of that second visit when you went to Australia you found Dr. Montague in charge there, and he had been in charge? A.—Yes.

Q.—Had he only been in charge— A.—Just a few months.

Q.—It could not have been very long after February, because this is in February— A.—No.

Q.—In February that he went to Australia? A.—Yes. You may be right, but this agreement was for Australia specifically, but it struck me when you read the agreement that it was the first agreement I made with Mr. Montague to enter our service as an organizing officer chiefly.

Q.—We can fix the date in this way; that a letter was addressed to him—the letter of itself is not of importance—a letter was addressed to him from Parr's Bank on the 8th of March, addressed to him in Collins Street, Melbourne, so that at that time he must have been in Melbourne. That is a letter which enclosed the draft for 1,000 pounds. Then he must have departed from here immediately after that agreement was made, and probably that agreement was made with that in view? A.—If that is the case it must have been made with that in view.

Q.—Then you supplemented the agreement with what perhaps you will pardon me if I call it a Royal Com-

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mission—signed by the King? A.—That is a good name.

Q.—And this is the document, "To all whom it may concern: Now know ye that I Oronhyatekha, M.D., J.P., Supreme Chief Ranger and General Manager"—(Reads document, Exhibit 451.) A.—Then it is quite true that February, 1901, was about the date of Dr. Montague's departure for Australia.

Q.—Well that authority was pretty wide, and if that authority were produced before the Royal Commission in Australia, it was not very much out of the way to hold, he was representing the Order in the things he did? A.—There was no denying the fact that Montague represented us in Australia; nobody ever denied that, but we do deny responsibility for any act that he did outside of his powers as our appointee. If he had stolen sheep out there in Australia surely we could not be held responsible for that act, and if he did any other illegal act such as corrupting, buying the Premier for 50 pounds, we could not, it seems to me, be fairly held responsible for that illegal act, and we took every step from the moment it came to my ears to dissociate the Order from that act.

Q.—Now then we will go on with the Australian letter. "The effects of the scandal have been serious. Sir Alexander Peacock has resigned his position." The Government had apparently changed in the meantime, or there would not have been any Commission? A.—I hardly think there would.

Q.—That sounds practicable? A.—I think so.

Q.—"The work here of the Independent Order of Foresters, Dr. Oronhyatekha's organization, has been paralyzed, if it has not been destroyed." Do you offer any comment on that? It was a serious blow? A.—It was affected for a time.

Q.—"Canada has got a worse name over the affair than would appear to be reasonable to a Canadian." That is a pity too? A.—Canada was not involved in it. Its name was no more affected by this matter than yours was—I mean as a matter of fact among the people.

Q.—You remember that Chicago got a bad name not very long ago in connection with an industry of Chicago? A.—I do not think the city was involved in the matter at all. The packers were.

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Q.—And all those who were interested in that industry in the United States were? A.—In the hog industry.

Q.—And also in Canada? A.—Yes. You mean the industry got a black eye all over the United States?

Q.—Yes? A.—But the country was not involved in it.

Q.—“The Foresters have become known as a Canadian organization.” (Reads down to the words “Closely connected with its working.”) Do you offer any comment about that? A.—Except that it was a very proper representation to advance the interests of the Order. All these things point to one thing—advance the interests of the Order by every lawful and legitimate means in your power.

Q.—Taking these specific names that are mentioned here— A.—The names were well known.

Q.—Are any of them not only members of the Order, but closely connected with its working? A.—The Honorable Mr. Laurier I think has a policy of our Order, and is Director for the I.O.F., in the Union Trust Company, representing the I.O.F.

Q.—And is Mr. Foster a policyholder? A.—He is I think a policyholder for a small amount.

MR. HUNTER: Mr. Foster says he is not.

WITNESS: Well, he is a member of the Order.

MR. SHEPLEY: Well, he could not be unless he was a policyholder? A.—Well, an honorary member.

Q.—Is there any close connection between any of these gentlemen and the Order except through the Union Trust Company—that is Mr. Ross and Mr. Foster? A.—No. Neither of them have any connection at all except as members of the Order.

Q.—“The organization, if this be true, should take steps to clear itself of being guilty of the crime which Mr. Hood has fixed upon it” —(Reads down to the words “and move more quickly.”) A.—You see the trend of the article. If the I.O.F. does so and so then so and so results.

Q.—If the Royal Commission has found a fact you are not surprised that the public accept that as a found fact? A.—We never denied the fact—Mr. Montague never denied the fact that he paid 50 pounds.

Q.—You denied that the society of Foresters was responsible? A.—Certainly.

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Q.—But there is a finding of the Royal Commission that you were responsible? A.—They said so, but if you would examine the evidence, I think you would agree with me there is not a tittle of evidence connecting the Order with the transaction except that Dr. Montague was at the time in our employ.

Q.—You are speaking with a good deal of confidence with regard to it. I would judge that you have gone into the matter with some care to see whether the evidence justified the report? A.—Because I know the facts.

Q.—Have you seen what the evidence was upon which the Royal Commission proceeded? A.—I think I read the evidence in the newspapers which were sent me. I do not think there is any claim that the evidence established the connection.

Q.—Except there was the finding? A.—Except as I say that Dr. Montague was our employee. The verdict of the Judge which you read a moment ago says that practically.

Q.—What it says is this: “He also declares the Society of Foresters to be guilty of corruption and responsible for the action of its agent W. H. Montague?” A.—Exactly what I say.

Q.—You dissent from that? A.—Yes, wholly. The Order was not in any way involved, either before or after the fact.

Q.—Then I think you have told me what your view is about the “Economist?” A.—Yes.

MR. HUNTER: That is the other “Economist.”

MR. SHEPLEY: Q.—Do you know the other “Economist, the Canadian Economist?” A.—Yes.

Q.—Well what you have said about the “London Journal” apply to that, or do you approve of the “Toronto Economist?” A.—Well the article I fancy that you have there—my remarks would apply to it even in stronger terms than the “London Economist.”

Q.—This is what appeared in the “Economist,” of August, 1905; that is a little over a year ago. The article is signed Australasian and reads: “The report of Mr. Justice Hood has been printed and in circulation for some time”—(Reads down to the words “simply leaves things as they were before.”) A.—That is in the Parliament of Victoria?

Q.—Yes? A.—Yes.

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Q.—(Reads down to the words “A few Australians whom Oronhyatekha hypnotized.”) That says the Government is not pressing the inquiry for fear it will find out more? A.—Yes, that sometime does occur.

Q.—That sometimes occurs in the best regulated societies? A.—Yes.

Q.—The statement was true enough that your funds were going over there, and largely in excess of anything you were receiving? A.—Yes.

Q.—And it probably is not a very wild prophesy to say it will not recover in Australia? A.—It is an extremely wild prophesy.

Q.—Was the business falling off? It was, was it not? A.—It was checked.

Q.—And it was diminishing? A.—It was diminishing, but when the Executive resolved to discontinue pushing its foreign work it was beginning to recover from that depression which occurred at the appointment of the Royal Commission and their report.

Q.—Well now, the rest of the article I do not think I will read, because it certainly is a very bitter article; I will not read it unless you desire it read for the purpose of showing the animus. You know the article? A.—Oh, I know it.

Q.—If you wish it read to show the animus, I will read it? A.—No, I fancy it would not have any effect one way or the other. I know those articles never affect us. We do not pay much attention to those articles now. There was a time when we did pay attention, and the result was we always got an increased number of applications right away after.

MR. KENT: Q.—Would it not have been better to continue paying attention to them? A.—I am not sure sir but what it would have been a better policy, but that is a part of the work I have to do personally, and I have been very busy lately. Our business is getting so large I cannot spare the time to answer bitter articles like that, which answer themselves with the people of our country.

MR. SHEPLEY: Q.—Now, we will return to the Australian matter again. I think we had summed up the receipts, the mortuary receipts being a total of \$121,442, and the general receipts a total of \$17,927.66. Your disbursements, in the first place your mortuary claims were as follows: in 1900, \$4,427. None in 1901. Then in 1902, \$2,433; in 1903, \$8,289. In 1904, \$8,462. In 1905,

\$6,862, making a total death claims disbursed of \$28,474. May I ask you with regard to those figures what I asked you with regard to some other figures yesterday; do those figures by themselves at all bear out your views on the subject of medical selection? A.—Oh yes.

Q.—You think so? A.—That is a very favorable showing.

Q.—Let us see; you had only been doing business from 1900. You were receiving, \$13,000, \$22,000, \$32,000, \$29,000 and \$28,000, and paying out \$2,000, \$2,000, \$8,000, \$8,000 and \$6,000? A.—How much did we pay out altogether?

Q.—\$28,000? A.—And how much did we receive?

Q.—\$121,000. That is a pretty large — A.—No, it is not a disastrous thing at all in a place where there is a small membership. You cannot get the average.

Q.—I am not applying the word disastrous to it, but I am asking you to say whether or not it bears out your theory that your medical selection eliminates 7 or 10 years? A.—You cannot take an isolated case among a small number of members and bring out that—

Q.—Perhaps that would not be fair, but I am asking if these figures by themselves if they were by themselves— A.—They were a little larger than we ought to have.

Q.—Your general disbursements— which of course means your expense account— A.—Yes.

Q.—Were as follows:—

In 1900 \$35,726.

In 1901 \$128,516.

In 1902 \$151,686.

In 1903 \$42,854.

In 1904 \$52,712.

In 1905 \$29,973.

Making the total disbursements in the Ontario field on expense account \$441,771? A.—Quite so. Some of those expenditures discount the future; for instance we had a contract with Mr. Le Bryce as General Manager, and we had paid him off to terminate the contract, carrying out the policy of the Executive to reduce our expenditure in foreign fields for the present.

Q.—Is not that policy, if you will pardon me for saying so, like locking the stable door after the steed has been taken away? A.—Possibly you may properly describe it so, or rather in a sense you may say so.

Q.—It shows so far as Australia is concerned that you have expended al-



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together in Australia \$470,000 to get \$140,000? A.—For the present. Of course you must take into consideration the fact that during the time of those large expenditures it was never calculated to withdraw our work from Australia. I think that when you take into consideration that we planted the I.O.F. in every State of Australia and secured ourselves against future legislation—because as a rule in the case of legislation adverse to societies like this, the existing organizations are permitted to go on. In view of that the expenditure is not, though enormous, excessive. Perhaps I had better take back the word excessive, because I considered them excessive, and took measures to have them reduced, but justifiable in a measure.

Q.—Perhaps we may use both adjectives, as you have used them both, enormous and excessive? A.—I think I had better confine myself to the word enormous, because that expresses a lot and they are your words.

Q.—And you thought them excessive? A.—Well, perhaps I had better not give the Commission my thoughts on the subject if you will pardon me.

Q.—You took steps at all events to retrench? A.—However, if you want it, I say to the Commission that I thought they were very excessive.

MR. KENT: Q.—Did you consider that the amount of the value of the crop would not justify the value of the cost of the seed that had been sown? A.—That is it.

MR. SHEPLEY: Q.—Now I come to the action this year in respect of these foreign fields. The matter I am going to ask you about is a matter I shall have to deal with a little more in detail later on, but I want to get at it now for the purpose of throwing light on the action of the Executive. You were some years past under considerable criticism from the Insurance Department on account of your expenditure? A.—Always.

Q.—And that has become very acute in late years? A.—Oh no, the pressure has been taken off.

Q.—It is taken off since you commenced to retrench? A.—Yes.

Q.—But up to the period when you commenced to retrench it was a constantly increasing pressure? A.—Yes.

Q.—I think you have already told me that your general fund had eaten into your mortuary fund to the extent—well approximately—we will get

that accurately hereafter—to the extent of half a million dollars? A.—Well, that is not exactly the way it should be put. It has not eaten into the Mortuary Fund. The Mortuary Fund has given it as an investment to the General Fund.

Q.—We will go into that more in detail, but just at the moment that is the state of facts, that your total expenditure through the whole Order, taking into consideration these foreign fields and the domestic fields, your expenditure for General Account—that is for expenses—has been more than your receipts for expenses by approximately a half a million dollars? A.—Yes.

Q.—Then on the 9th April of this year the Executive held a meeting at which action was taken in respect of these foreign fields, you remember that, I suppose, very well? A.—Yes.

Q.—Was there a discussion at that meeting beyond what appears upon the Minutes, or was it just taken for granted and put upon the Minutes? A.—The other members of the Executive had practically settled the matter in their own minds, and I agreed with them, although knowing they were wrong, and helped to carry out their wishes in respect of the matter.

Q.—When you say you knew they were wrong, what had you in your mind? Just what you have been saying this morning? That you had been planting the Order in these foreign fields, and you did not want to continue in these fields? A.—If I had had my way I certainly would have.

Q.—You would not have receded from the foreign fields? A.—No.

Q.—I have taken it for granted because it is in the Minutes, that you all agreed that that was the wise thing to do? A.—We certainly did, but I was in a minority.

Q.—You mean you were convinced against your will? A.—Yes.

Q.—And you remained of the same opinion? A.—Decidedly, and I trust that in the near future—that is in the course of a few years—that we shall resume our foreign business.

Q.—That is the way it appears upon the Minutes? A.—I am not sure that I moved the resolution myself.

Q.—It seems to have been based upon your Report. "the Supreme Chief Ranger reported that he had closed the India office of the I.O.F." (reads down to the words "the S.C.R.'s re-

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commendation was approved." A.—Yes.

Q.—Apparently that, so far as India was concerned, was on your own recommendation? A.—Yes, I think I recommended all the others.

Q.—You recommended it because it was an economic move? A.—Yes, and because I knew the will of the Executive was to close for the present these foreign offices, and I ought to be, I think, as loyal to them as they are to me.

Q.—"The S.C.R. also recommended that all further work be discontinued in France." That means France and Belgium, both? A.—Yes.

Q.—And that the membership there be legally notified of such action," (reads down to the words "the recommendation was confirmed.") That also was upon your recommendation, but you wish to say your recommendation was formal, because you knew it was according to the will of the majority? A.—I am not sure, but with respect to France I agreed with them in the making of their plans to discontinue work there for the present. I think we went there too soon.

Q.—"Then the Supreme Chief Ranger reported that in his judgment, the money available for the work of extending the membership could be expended with better results by confining such expenditures to Canada and the United States?" A.—Yes.

Q.—"And he, therefore, recommended that further steps be taken to curtail expenditure in the organizing department of Canada and the United States? A.—Yes.

Q.—"And that as soon as possible arrangements be perfected to confine the expenditures in the organizing field to Canada and the United States?" A.—Yes.

Q.—"This recommendation of the Supreme Chief Ranger was unanimously approved and he was authorized to take such steps as might be necessary to carry the thing into effect?" A.—Yes.

Q.—That involved the cutting off of the whole of the foreign field? A.—Yes. When you say "cutting off" it means not to push the Order, sending deputies to work there, in those countries, but to let the Order itself do all the work it can in the meantime, until we are in a position to do the work.

Q.—I do not want you to think I am pressing you unduly, but that practically means that your Order will

die out in those places unless you commence to push again? A.—No sir.

Q.—You think not? A.—In Great Britain the High Courts themselves are beginning to do very considerable of the work. Heretofore they relied on us altogether, and did practically all the work that was done in the United Kingdom.

Q.—Then you do not expect the Order to die out in those places? A.—No. It will probably stand still in Australia.

Q.—Or recede? I said yesterday you were a sanguine man, and so you are. Looking at the figures we have been examining with respect to the foreign field it is manifest, is it not, that there has been a decline, a manifest decline, steady, and in some places, a very pronounced decline, as soon as you commenced to curtail the work of pushing? A.—Certainly, but that is very different from its dying out altogether—declining and dying out are different things.

Q.—What reason have you for supposing the declining will not go on until death ensues? A.—Because the Order is too good.

Q.—The Order is too good here, where you are pushing it, perhaps? A.—And it is becoming known in Australia, and you will find that the local members will continue the existence of the Order, and perhaps increase it a bit—but of course not anything like—

Q.—Not anything like the increase you expect when the drum beats? A.—No.

MR. HUNTER: In the United Kingdom you received 328 applications the first six months of this year?

WITNESS: I do not think that I ought to offer that as evidence to show that the Order will go on, because we are doing some little work in the United Kingdom. And I think the little work is represented pretty nearly in those figures, and, therefore, it would not be fair to give that.

Q.—Then, I have in concrete form the information about which I have been wearying you yesterday and today about the foreign fields, and if you will give your assent to this—these figures have been carefully compiled from those we have gone through. Your total receipts for Mortuary purposes from the whole foreign field, during the time you have been operating, up to the end

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of 1905 were \$1,137,487; your total expenses receipts \$113,867; your total payments, Mortuary, \$406,910; your total expense payment \$952,869? A.—What were the total receipts on Mortuary?

Q.—\$1,137,487? A.—And the disbursements?

Q.—\$406,910 of expense to \$113,867 of receipts, and \$952,869 of disbursements, or an encroachment for expense alone in connection with your foreign field, treating Expense Account by itself, of \$782,452? A.—Yes.

Q.—That is what the over-sea operations have cost the Order? A.—Yes, that is what the missionary field of the Order has cost. (Statement Exhibit 452.)

MR. SHEPLEY: For reasons suggested yesterday, I think it would be better to adjourn in the middle of the day for a little longer time, say from now till 2 o'clock and sit later in the afternoon, if the witness is strong enough. We think the witness should be at his best while we examine him.

JUDGE MacTAVISH: Yes.

(Adjourned till 2 o'clock.)

#### AFTERNOON SESSION.

Resumed at 2 p.m. September 19th, 1906.

Examination of DR. ORONHYA-TEKHA continued:

MR. SHEPLEY: My learned friend has given me what are said to be drafts of the material sent to Australia in connection with the Commission there. I put them in as one exhibit, and shall not pause at the present time to examine upon them. I have not seen them at all, and they may suggest further question, but I shall not ask Your Honors to delay at the present moment.

Drafts of material sent to Australia filed as Exhibit 453.

JUDGE MacTAVISH: That does not include the *viva voce* evidence at the Investigation?

MR. SHEPLEY: No.

Q.—Then when did the question of the encroachments made into the mortuary fund by your expenses first become the subject of consideration in the Council? A.—Quite a number of years ago, away back as far as 1893. I think a longer time back.

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Q.—For as many years as that there has been a deficit in the general fund? A.—Yes.

Q.—And that has been a constantly growing deficit? A.—I would not say that, I think in the later years you will find a pretty even deficit each year; if you mean that each year's deficits were being added to the others then it was a constantly growing deficit.

Q.—What that meant was that each year's deficit was larger than the deficit of the year before? A.—I do not think it is a feature of the deficit, there might have been a little more increase.

Q.—Your communications with the Department of Insurance, when did the Department of Insurance commence to be insistent with regard to it? A.—After the passing of the amendment of 1896, which brought us under the immediate supervision of the Insurance Department.

Q.—From that date down to the present date there has been a pretty constant pressure upon you from the Insurance Department in respect of that general fund? A.—Yes, in this way that they would not allow any increase.

Q.—We will just illustrate the attitude of the Department perhaps by taking one of the blue books, this is the blue book for the year 1904, for instance take the 31st December, 1904, the summation at page 499 of the blue book is as follows: General account, total receipts for year \$646,909; total net expense of order per year \$623,543, excess of expenses over receipts for year \$58,634.74, to which the statement proceeds to add the deficit at December 31st, 1903, the year before \$348,947.56, making a total deficit on the 31st December, 1904, of \$407,582.30? A.—I do not know whether you have something there by which you are following this, but you do observe that is the way it is? A.—Yes.

Q.—Then comes the sums: Mortuary fund 31st December, 1904 \$8,315,612; sick and funeral fund \$218,514; total \$8,534,127. The deficit general account is taken off that, \$407,582, leaving \$8,126,544; that is the balance which is called here net ledger assets is what you have in hand after having expended out of your mortuary fund this large sum over and above what you had for expenses? A.—Not altogether out of mortuary fund, a part of that



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was taken from sick and funeral benefit fund.

Q.—I meant to mass those two together? A.—Yes.

Q.—Your beneficiary funds which were to be held for the purpose of benefiting your members directly were encroached upon to this extent by reason of the excess of your expenditure over your revenue? A.—Yes, although strictly speaking you know there is a contingency fund out of which a considerable portion of these over-drafts were taken; although it has been said that after all payments that are authorized by our constitution and laws are made out of the contingency fund, the whole balance is as contemplated added to the mortuary fund; so that perhaps it is just as well to say it was taken out of the mortuary fund.

Q.—I am interested in knowing whether the note with the asterisk at the bottom of this statement is the note of the Department or whether it is a note made by you in making the return: "To provide the over-draft in the general account loans of \$296,587 have been made from the mortuary funds, and \$110,944 from the sick and funeral fund"—A.—I fancy it was made by us.

Q.—Leaving the actual ledger assets in this fund at December 31st, 1904, as follows: "Fund \$8,019,024.72, and sick and funeral fund \$107,520, including \$55,000 loaned to the Orphans' Home?" A.—I presume that is our note.

Q.—I am taking that as illustrative, but from the time the deficit first occurred down to the present time that has been the uniform method of treating it in your returns? A.—Yes; with regard to the question you just asked me about an increasing deficit being shown in our accounts this statement is put in my hands; over-draft 1902 \$164,000; 1903 \$86,000; 1904 \$45,000; 1905 \$35,000. Those are the yearly over-drafts.

Q.—And on each occasion you have the sums mentioned there to add to the deficit of the year before? A.—Yes.

Q.—Then when I used the word constantly growing I did not mean the yearly deficit was growing but that the total deficit was growing? A.—Yes.

Q.—And that is so? A.—Yes. I am told there will be no deficit this year, and next year we shall commence to pay off a certain amount of the deficit; it has been arranged to pay off so much every year. We shall

commence next year to pay off these deficits and clear them from the books.

Q.—That we all hope to see accomplished. Then you took up the matter with some vigor in the latter part of the year 1901, for I see a resolution of the 7th December that the S.C.—that is Mr. Stevenson—S.T.—that is Mr. Collins—S.P.—that is Dr. Millman—and S.S.—that is Mr. McGillivray—A.—Yes.

Q.—"Be a Committee to consider the matter of the deficit in the general fund with the view of having same adjusted and provided for on or before the 31st day of December instant, as may seem wise and expedient, and that they report their action in the premises of the next meeting of the Executive to be held on the 2nd Saturday of next January to be held at the usual hour and place?" A.—Yes.

Q.—What was the special spur which brought about this action in December—it is said you were not present at that meeting? A.—Still I would know why; I think it was probably to carry out what the Executive had decided that there should be action taken to wipe off these deficits and thus wipe out the grounds for the criticisms that were being made against us on the score of these over-drafts.

Q.—Can you say whether or not any action on the part of the Insurance Department was operating as a spur? A.—No.

Q.—That Committee seems to have gone about it quickly, because on the 4th January, 1902, within a month afterwards, Mr. Stevenson as Chairman of this special Committee made the report of the Committee? A.—Yes.

Q.—I suppose you remember generally the nature of that report? A.—I think so.

Q.—The report is as follows: "That half of the shortage in the general funds be borrowed from the sick and funeral fund and the other half from the contingent fund, interest thereon to be paid at the rate of per cent. until repaid and the same to be repaid at the rate of \$10,000 per month commencing with the first of next month, which report upon motion of the Supreme Counsellor was unanimously adopted, the first payment thereof to be made in March next"—you remember about that? A.—Oh yes.

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Q.—What was the contingent fund on hand at that time? A.—I cannot tell you, I could get it for you.

Q.—What was the nature of the contingent fund, what was its composition and what was its destination? A.—Interest on our accumulated funds.

Q.—Did all that interest go into a contingent fund? A.—Yes.

Q.—What was the destination of the funds, to what purpose were you entitled by your constitution to devote the contingent fund? A.—Certain payments, for instance expenses incurred in defending the mortuary fund, were to be paid out of the contingency fund, and from time to time after these payments are made the Executive would determine, we added to the mortuary fund—

Q.—Was there any controversy—perhaps controversy is too strong a word, but was there any divergence of view between yourselves and the Department as to the purposes to which that fund might be devoted? A.—No, I do not think so, I do not remember of ever having my attention called to it that the Department was objecting to those arrangements.

Q.—I was going to say you had not yet told me, but I think you have told me that really the contingent fund was intended to be added to the mortuary fund? A.—Yes.

Q.—It was a fund to be held for the benefit of those who were members of the Order? A.—Sure.

Q.—The transaction does not treat this as being otherwise than a diversion of the contingent fund from its trust purpose to another temporary purpose? A.—Oh no, because the Supreme Court had given us authority in the constitution to borrow from these funds.

Q.—The matter seems to have remained quiescent for another year and I see it crops up again on the 23rd February, 1903. What seems to have happened then, was that Mr. Stevenson made a report to the Executive Council in respect of a conference he had with Mr. Fitzgerald—you remember that? A.—Yes.

Q.—What was the origin of those instructions, because I have not found that spread upon the minutes? A.—What instructions?

Q.—The instructions to Mr. Stevenson to confer with Mr. Fitzgerald, because he commences his report, "In pursuance of your instructions?" A.—I understood the Executive had

decided not to carry out the legislation of the Supreme Court in authorizing us to take the profits on lapses and that Mr. Stevenson and Mr. Fitzgerald it appears from this memo. by instructions of the Executive Council had a conference upon the subject and the Executive Council resolved not to accept the income provided by the Supreme Court in that respect, that is the taking of the lapses, which I told you to-day or the other day I thought was a very great mistake and still think it was a mistake.

Q.—What you told me the other day was the lapses went to the benefit of the policyholder? A.—They do now, but the legislation of the Supreme Court took the profits on lapses from being added to the mortuary fund as they arose and gave us power to use it in the general fund for the extension of the Order.

Q.—What I understand you then as you put it now to say is that in your opinion the original law of the Order was wiser in its generation than the law that was actually adopted? A.—No, that law was passed at the Los Angeles Session in 1902, and we actually did take the lapses during a part of the year, and then I understood that Mr. Fitzgerald objected to that, and in deference to that objection the Executive decided not to take any more but to pay back what had been taken and leave it as it had been always before for the benefit of the mortuary.

Q.—As an accumulation or augmentation of the mortuary fund? A.—Yes.

Q.—You were saying it was a mistake, the action which you think was a mistake was in restoring the fund arising from lapses to the mortuary fund? A.—No, not particularly, the Act resolving not to use the income placed in our hands by the Supreme Court I think was a mistake; when they had done that it was only a step farther to say, "Well, we have taken so much already, we will repay that."

Q.—Then I think I understand you now; you think that the repealing of the policy which had been laid down by the Supreme Court in 1902 was itself a mistake? A.—Yes, was erroneous.

Q.—We will read the report and that will perhaps put us a little abreast of the discussion that was then going on. This is 23rd Febru-

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ary, 1903, and it is Mr. Stevenson's report to the Executive Council: "In pursuance of your instructions I have conferred fully with Mr. William Fitzgerald, Superintendent of Insurance, in reference to the recent correspondence with," etc. (Reads down to the words "section 40 of the Constitution and Laws of the Society")—that was the law passed in 1902? A.—Yes.

Q.—"I found the Superintendent of Insurance was not desirous of doing anything not deemed absolutely necessary that would have any tendency to embarrass the Society, but insisted upon a remedy being applied which would prevent the necessity of using directly or indirectly any part of the mortuary fund of the society except the 5 per cent."—that is the 5 per cent. we have been talking about all along? A.—Yes.

Q.—"He especially disapproved of the practice of using the interest," etc. (reads down to the words "in fixing our rate of assessment")? A.—It is not correct though; the lapses were not taken into account when computing our rates.

Q.—In the argument which I had the pleasure of listening to within a day or two you put forward the fact that you were getting these lapses as an argument indirectly supporting your lower rates, because you said that helped to dispense with the reserve? A.—Quite so, it was only a part of the help.

Q.—Mr. Fitzgerald's statement as reported by Mr. Stevenson is not very objectionable when he says these matters are taken into account in fixing the rates? A.—That is a very different statement from an attempt to bring before the notice of the Commission some of the reasons why fraternal benefit societies should work upon a lower premium rate, even if we take the lapses by reason of other things making our rate sufficient, but other benefit societies do not do that.

Q.—Your evidence before the Commission is general with respect to reasons which justify low rates in fraternal societies? A.—Yes.

Q.—The report proceeds: "He also disapproved of the use of the mortuary fund by loan or otherwise to the general fund to meet current expenses?" A.—Yes.

Q.—That was the thing you were doing? A.—Yes.

Q.—"And was emphatic in the expression of the opinion that the practice should be discontinued, and to that end," etc. (reads report down

to the words "later than first June, 1902")—this is all very distinct and clear? A.—Yes.

Q.—"He requires that the curtailment of expenses necessary to avoid over-drawing," etc. (reads down to the words "demanded of him"). There is no uncertain sound from the Department about its view upon either of these questions? A.—Mr. Fitzgerald is like myself, he always expresses his opinion very clearly and decidedly, and I like him for it.

Q.—I see the Executive Council resolves, "that the said report of the Supreme Councillor be received and spread in full on the minutes of the meeting. It was further resolved that steps be taken at once to curtail expenses so that expenditure for management and general expenses be kept within the resources provided for that purpose in accordance with the Superintendent of Insurance, Mr. Fitzgerald, as outlined in the report of the Supreme Counsel?" A.—That policy had been agreed on by the members of the Executive before that.

Q.—Before going further with the minute, I think that your curtailment has not brought you, or had not brought you up to last year within your expending resources? A.—Last year I was assured there had been, but there seems to have been \$25,000 of over-draft remaining in 1904 which had not been brought forward, and when brought forward it made our last year's transactions out on the wrong side \$35,000; but as a matter of fact the current expenditure of 1905 was within the income of 1904.

Q.—What you say is that expenditures properly attributed to 1904 were held over—I do not say improperly held over, but were not—A.—Accounted for in that year.

Q.—And appeared in the accounts for 1905? A.—Yes.

Q.—Can you tell me the same thing did not happen in 1905, and they won't appear in 1906? A.—I think with the opinion I expressed upon the subject when I found it out it will never occur again.

Q.—What occurs according to the books of the society is that the over-draft has been decreasing, but there has always been an over-draft down to last year? A.—Yes.

Q.—That is the apparent condition of the books? A.—Yes.

Q.—Apparently you were then in Egypt? A.—Yes.



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Q.—Because Mr. Stevenson was authorized and requested to go at once to Cairo to meet and confer with you? A.—Yes.

Q.—So that you might formulate such plans for the curtailment of expenditures as will comply with the said requirement of the Superintendent of Insurance, and that the Supreme Secretary advise the Superintendent of Insurance of his action—did Mr. Stevenson go to see you? A.—Yes.

Q.—He came to meet you in Egypt? A.—Yes, Cairo.

Q.—You were then doing what you told us yesterday, surveying the Egyptian field? A.—Yes, in part, and partly for my health.

Q.—“It was further resolved in conformity with the action this day taken looking to the curtailment of expenses,” etc. (Reads down to the word “monthly.”) “It was further resolved that no further expenditure be made for advertising,” etc. (Reads down to the words “Executive Council”)—your Executive Council, you being absent, seems to have been rather impressed with the desirability of falling in with the views of the Superintendent? A.—Yes, I think so; we always have tried to be in harmony with the views of the Superintendent.

Q.—Among those views was the view that no borrowing from the mortuary fund to the general fund was permissive? A.—That was the Superintendent's opinion; my opinion is, and I think it is the opinion of my Executive, that the Supreme Court has supreme power over that fund.

Q.—Over the mortuary fund? A.—Yes, and when it desires to alter the language of the policy with reference to the mortuary fund that puts that in the constitution then the Executive have the right to do what the Supreme Court had authorized to be done by such an Act as amending the organic law of the Order, not simply a resolution, but to amend the law in reference to that, and when that is done I do not think the Superintendent nor anybody else has any right to come in and say you shall not do this and shall not do that. The Act requires us to have money on hand always to pay the widows promptly, and therefore the ten millions of surplus we have in hand now are ten millions over and above the requirements of the Act, and therefore—

Q.—When you speak of the Act are you speaking of the Act of Parliament? A.—Yes, and therefore the Supreme Court has supreme authority in the Order, and the Executive Council are simply the servants of the Supreme Court, when it says you may do this we believe we can properly and legally do it.

Q.—Let us discuss that just for a moment; nobody doubts the power of the Supreme body to make laws? A.—Yes.

Q.—But those must be laws which are not repugnant to the whole inherent constitution of the Order? A.—Quite so.

Q.—For instance your Supreme Court, you would not perhaps think your Supreme Court had power to abrogate the contracts of insurance and divert the mortuary fund to private purposes, say? A.—Certainly not, because those are contract rights.

Q.—Well, is not the right of every policyholder in your Order in respect of the mortuary fund a right which depends upon and is confirmed to him by his contract? A.—Sure; but that contract does not call for the maintenance of any surplus.

Q.—The contract calls, if I understand it, for the maintenance of a mortuary fund after deducting 5 per cent. from it for expenses, and it calls for a maintenance of that fund for the mortuary purposes? A.—The constitution is so arranged by the Supreme Court itself, but the policy itself, which is the contract, does not require the maintenance of any mortuary fund.

Q.—Your policy imports all the provisions of your constitution, does it not? A.—Sure, and therefore when the Supreme Court alters that it goes into the contract, the modified condition.

Q.—Do you think that the Supreme Court without a violation of its contract with the policyholders could alter that 5 per cent. to 50? A.—Certainly.

Q.—Or to 80? A.—Certainly.

Q.—Or 90? A.—Yes.

Q.—Or take it away altogether? A.—Yes. When I said a moment ago that the Act of Parliament does not require of us one cent of mortuary reserve then the Supreme Court if it thought fit could take the whole of that surplus and use it for the purpose of the Order as it thought fit.

Q.—Spend it in extending the Order? A.—Yes.

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Q.—Make any use of it? A.—Yes.

Q.—Has it struck you that possibly the Act of Parliament was passed in view of the provision in your constitution that you never should touch more than 5 per cent. of the mortuary fund for expenses? A.—No.

MR. HUNTER: He is speaking of the Insurance Act?

MR. SHEPLEY: You are speaking, as I suppose, of the legislation under which your Order is working? A.—Yes.

Q.—And your view was that the Act of Parliament did not compel you to maintain the mortuary fund at all? A.—No, that is our own domestic legislation.

Q.—You had already told me that by the provisions of your contract you cannot dip into the mortuary fund for expenses beyond 5 per cent. by the provisions of your constitution? A.—I never said that.

Q.—Is not that in your constitution, that 5 per cent., and 5 per cent. only— A.—5 per cent. is the amount allowed now, but there is no earthly reason why at the next session of the Supreme Court that should not be increased to ten per cent.

Q.—Do you think it possible that if your constitution had permitted you to take the whole mortuary fund and devote it to expenses instead of permitting you, as it did at the time of your act, to take the 5 per cent. only, do you think it possible you might not have got your legislation? A.—We could not have taken ten per cent. just as easily as five, because a number of the fraternal societies do take ten per cent., and I do not think we would have any more difficulty to have had the Act passed with ten per cent. than it was with only 5 per cent.

Q.—That is not precisely what I ask you; do you suppose that any Legislature would have passed an Act incorporating you if you had come to the Legislature with a constitution on the face of it permitting you to take the whole mortuary fund and spend it on extension? A.—Possibly not, but that of course is an insupposable case.

Q.—I only asked you that question because you are relying upon the Act of Parliament; I am pointing out to you that the Act of Parliament was passed upon a condition of affairs which you put before them? A.—You asked me if I thought we had the power to take the whole of it and

I said Yes. You are now asking me if we had that in our constitution do I think the Incorporation Bill would have passed; I say no at once, but that does not alter the fact, as I view it, that if the Supreme Court wanted to take the whole of the mortuary fund it could take it as a matter of right.

Q.—I am sure you will agree with me that whatever the jurisdiction of the Supreme Court may be it would be great unwisdom, I will put it as mildly as possible, as a matter of policy to make any such radical change in the constitution? A.—Most decidedly, and the proposition was made when we passed the Legislation at Los Angeles giving us the profits on lapses to do exactly the very thing that you suggest, to take ten per cent. instead of five, but the five per cent. had become a sort of land mark with us, and I did not want to have it altered.

Q.—A member when he was told ten per cent. was coming out of his premiums instead of five would be startled? A.—I do not think so.

Q.—He would be more likely to be startled? A.—There are a number of the fraternal societies that are taking ten per cent. and the membership are not startled.

Q.—You are misapprehending me, the eye of the policyholder is more upon that 5 per cent. than it is upon the profits made by lapses? A.—I do not think that cuts any figure in our legislation.

Q.—What was the result of the consultation between yourself and Mr. Stevenson in Cairo? A.—Simply to carry out the policy adopted by the Executive during my absence.

Q.—What do you conceive, and I do not want to tie you to the time you were in Cairo, but to any time, what do you conceive to have been the requirements upon which the Department was insisting, put them in a nut-shell for me, a, b, c? A.—Just that Mr. Fitzgerald regarded the lapses as being a part of the mortuary, and that he did not want the mortuary funds to be disturbed in any way whatever, and I am not sure in a way but that he was right, still I think the Order would have done better if they had allowed us to use the extra revenue that the Supreme Court provided for us.

Q.—Did you understand that borrowing from the mortuary fund was a thing that was to be still permitted,

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I mean according to the views of the Department? A.—No; Mr. Fitzgerald makes it very plain that he objects to that, but I never could understand the philosophy of not allowing us to invest mortuary fund with the general fund of the Order, there could be no surer investment.

Q.—You have put yourself on record with regard to that; as things were at that time you had to revert to the old law about lapses, you had to curtail expenditure so as to keep your expenditure within your revenue for expenses, and you had to cease borrowing from the mortuary fund? A.—Yes.

Q.—That was in 1903, and I see in the following November at a meeting of the Executive Council this recommendation was made by you: "The Supreme Chief Ranger recommended the opening of three accounts in the bank, namely, for the mortuary, sick and funeral, and general funds of the Order, and that the accounts relating to each of the said funds be kept separate and distinct in the books of the office, and the same was duly approved and so ordered?" A.—Yes.

Q.—What practice followed upon that? A.—I think the carrying out of the recommendation. We always had three accounts in our own books but not in the bank.

Q.—How often did you segregate these funds from the mass and deposit in separate accounts in the bank? A.—As they came in.

Q.—When a premium came in—let us have it right, that is not my information, and there is no reason why Mr. Harper should not make the statement if you like? A.—My understanding is that as the moneys are received the deposit is made to the bank and credited to the account for which the money is received, but I am told now it is done monthly, but it is a surprise.

Q.—Once a month the account is gone through and the amounts are separated from the lump and deposits made? A.—Yes, it is a surprise to me and I can assure the Commission that after this week—

MR. HUNTER: Do not make rash promises.

WITNESS: I do not think it is the correct practice; I think the moneys as received should be credited to the funds.

MR. HUNTER: It is not feasible.

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WITNESS: I still am of the opinion it can be done, and if it can be done it will be done.

MR. SHEPLEY: We know what the practice is? A.—It seems that the receipts are deposited to one fund, then at the end of the month when the proper balances are made they are distributed then to the different accounts. Of course there may be some difficulties of bookkeeping I don't understand, but I cannot imagine them now.

Q.—You would think it quite a feasible thing to separate the money when it came in? A.—Certainly.

Q.—With the light we have we won't devote much criticism to that method being followed; it is the mortuary fund to which the deposit is made in the first instance, and that is a safe place for it to be anyway? A.—Yes.

Q.—It is better than if it were put into the general fund? A.—I quite understand it; of course this is subject to finding out that my ideas are wholly impracticable, and in that case it will have to be left according to the present practice.

Q.—At present it does not occur to me to adversely criticise the way in which it is done? A.—Still until I look into it I think it ought to be done the other way, and I do not see any difficulties in the way of it.

Q.—That was in November, 1903; then apparently the matter was left quiescent till December 19th, 1904, when I see an authorization, which singularly enough is not based apparently upon any recommendation of yours. "It is hereby resolved that the Supreme Chief Ranger be authorized to borrow from the sick and funeral fund or any other available fund such sum or sums in addition to what has been heretofore expended as may be required to liquidate," etc. (reads down to the words "whenever the condition will warrant"). Am I going too far when I say that that was a slap in the face of the policy that had been adopted the year before? A.—I think not, it says from the sick and funeral benefit fund, to which no objection had been made as I understand it, because it was clearly apparent that we had the right to borrow from the sick and funeral benefit fund, and the resolution says "and such other available funds from which"—

Q.—"Or any other available fund"—that did not include the mortuary



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fund. Let us go back for a moment, because I have supposed until this present moment that the sick and funeral benefit fund was a fund to which there would be the same objection to borrowing for expenses? A.—I do not think so. The Commissioners who examined the I.O.F. precedent to their being granted a license originally said to me, "I wish you would take out the sick and funeral benefit fund from your account; we have nothing to do with that." Later on I made application to the Insurance Commissioners of the United States to be permitted to make our report to the Insurance Department wholly distinct and separate from the funeral fund, and a large number of the Insurance Commissioners assented to that, and I was moved to this course because of being urged by our friends in the United Kingdom to separate the two altogether, because it was constantly being used to our disadvantage by taking the cost of both systems and saying "This is the cost per thousand dollars of insurance," and the Board of Trade accepted the report made out in that way separating the sick from the insurance work of our Order, and I hope in time everybody in the insurance world will see the difference between the two systems and accept those divided reports.

Q.—I follow what you have said; your answer involves this; that the sick and funeral benefit fund is not within the scope of insurance law, and therefore the same considerations do not apply to it? A.—Yes.

Q.—Apart from any question of insurance law is not it inherently just as objectionable to make encroachments upon that beneficiary fund as upon any other beneficiary fund? A.—Precisely.

Q.—But for the reasons which you have stated you do not think that the policy which was suggested by Mr. Fitzgerald and which you followed covered the sick and funeral fund? A.—For the reason that nearly all Insurance Commissioners regard it as a different one, and I do not understand that Mr. Fitzgerald has objected to our taking from the sick and funeral benefit fund, borrowing from that fund, while he strenuously objects to our borrowing anything from the mortuary fund.

Q.—Supposing Mr. Hunter and Mr. Cross and myself all pay money into your Order for the purpose of having it accumulate to provide us with

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benefits when we fall sick and with funerals if we die, upon general principles what do you say of taking any of that money and devoting it to some other object, philanthropic though it may be? A.—If I take that money with the arrangement that it will be on hand and available whenever required I do not think there ought to be any objection to my taking it.

Q.—It is just a question of the validity of the security? A.—Yes. Of course it is beyond that with regard to the Insurance Commissioners, they do not object to our borrowing, I don't know why, but that is not my business; they do not object; I borrow with the perfect assurance that when needed for benefits it will be on hand again.

Q.—Then the matter stands till another year, and on the 16th October of last year, 1905, not quite a year ago, I find this spread upon the minutes of the Executive: "Whereas there has been various sums of money borrowed at different times since the Supreme Court meeting of 1898, from the mortuary funds and contingent funds and sick and funeral funds for the purpose of the general fund"—had you since 1903 still been borrowing from these funds you had? A.—Yes, from the sick and funeral fund.

Q.—And from the mortuary fund? A.—Contingency fund, there is a distinction.

Q.—From the contingency fund whose purpose was to build up the mortuary fund? A.—Yes, but it does not become the mortuary fund until it is voted by the Executive.

Q.—At all events the mortuary fund was just so much less than it would have been if it had not been for the excess of expenditures— A.—So much less actually in hand at the present day, but invested as safe as if it was with the British Government.

Q.—"And whereas the aggregate amount of such loans from such funds with interest added to this date at as follows: Mortuary, \$297,587.75; interest, \$30,213.93; contingent fund, \$171,272.33; interest, \$22,326.22; sick and funeral, \$110,994.55; interest, \$19,539.89." Now, that was at this date, October 15th, a very considerable total? A.—Yes.

Q.—"And whereas it was deemed proper that such amounts with interest be re-paid to such several funds, and whereas it is impossible without suspending or seriously embarrassing

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the work of the Society to re-pay the several amounts in one payment or in large payments?"—that was true? A.—Yes,

Q.—Don't you think that a fund that is embarrassed by paying its debts is rather a poor security to have? A.—No, because one division of the work has been pushed to such an extent as to overdraw on the revenue—

Q.—I was speaking of security? A.—Yes, the Supreme Court is behind all the borrowings.

Q.—For instance if I wanted to borrow from a bank \$100,000 and I said it would embarrass me very much if I had to pay that back except at the rate of a thousand dollars a year I should not think the bank would consider I was very good security? A.—Yes, but I do not think the cases are parallel at all. The Supreme Court endorses all these loans, because it is liable for them.

Q.—Indeed the Supreme Court has only such revenues as are produced, and among these revenues are the mortuary fund, the sick and funeral fund and general fund? A.—Quite so; but in case the money was wanted either by legislation—I mean compelling us to repay at once, all that we should have to do would be to suspend our organizing work fund for one year and we would be able to repay the whole of the borrowing from the contingency fund; surely, with such conditions I am right in saying that it is a good investment and can be realized upon almost immediately if required.

Q.—This resolution provides: "Whereas such funds are not at this time and it does not appear likely that they will in the near future be in need of such money; be it therefore resolved that such indebtedness of the general fund," etc. (Reads down to the words "and be it further resolved,"—can you tell me offhand how many years that involves? A.—A little over twenty I think.

Q.—"Be it further resolved that the Supreme Chief Ranger, the Supreme Secretary and Supreme Treasurer execute and issue under the seal of the corporation debentures for such amounts," etc. (Reads to words "in favor of the funds above indicated." You were issuing debentures upon the general fund? A.—To repay these overdrafts.

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Q.—To operate as securities in the hands of the lending funds? A.—You can put it that way.

Q.—You were putting debentures of the general fund into the coffers of the mortuary fund and contingent fund and sick and funeral fund? A.—Yes.

Q.—Was that done? A.—I think so.

Q.—You think that debentures were issued? A.—I think so.

Q.—To the whole amount? A.—Yes.

Q.—"Be it further resolved"—did you take any advice as to your power to issue such debentures? A.—We have three lawyers on the executive.

Q.—"Be it further resolved that there be set aside from the income of the general fund commencing with the month of January, 1906 and continuing during each month thereafter until," etc. (Reads down to words "and the interest that will accrue thereon".) "And be it further resolved that the several amounts of such debentures when paid be distributed as follows," etc. (Reads to the words "to the sick and funeral fund")—what is the meaning of that about distributing—I think I see, that is you treated the contingent as part of the mortuary fund? A.—Yes.

Q.—Has that fund been set aside monthly to meet these debentures? A.—I do not know as to that, but I am informed that it will be on hand at the end of the year, whether it has been set aside or not I cannot tell you.

Q.—That is it will be on hand by your curtailing your expenditure; that is what you mean? A.—Yes.

Q.—But you do not know whether the terms of the resolution have been strictly complied with and the money set aside monthly? A.—No. My suggestion to the Executive when I went away was to set aside \$100,000 of our estimated revenue to meet these claims and contingent expenses which might arise, unforeseen expenses. They overlooked that recommendation, somehow or other, and only laid aside \$2,000. Our contribution to the San Franciscan sufferers, of course wiped that out right away, but next year the result will be, I think, that \$100,000 will be laid aside to meet these debentures, and to meet any unforeseen expenses

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that may arise, so as to insure our not exceeding our revenue for the year.

Q.—Then it is quite proper that you should have it on record that in 1902 the Supreme Court wrote off, or authorized the writing off, of sums which were afterwards ascertained to be, or afterwards written off—that is the Supreme Court took it upon itself to forgive the debt of the General Trust as it then existed? A.—Yes.

Q.—And at that time it was \$171,272.33 Mortuary Fund, and \$110,994.55 Sick and Funeral Benefit Fund? A.—Yes.

Q.—Those sums were forgiven by the Supreme Court in 1902? A.—Yes.

Q.—That indebtedness was re-assumed in a resolution we have just been dealing with? A.—Just by the Executive themselves in accordance with my report to the Supreme Court at Atlantic City, so that we could say in the future we never took a penny from the Mortuary Fund.

Q.—Or if we did we paid it back? A.—Yes.

Q.—So that without regard to interest, without taking interest into computation the debt, as it now stands, to both funds—perhaps I will put them separately—the debt to the Mortuary Fund is \$503,231.40, and the debt to the Sick and Funeral Fund is \$110,994.55, or a total of \$614,225.95? A.—Yes, of which a certain amount has been written off.

Q.—I have the amounts here, Mortuary Fund with interest \$327,801.68; Contingency Fund with increase, which of course forms part of the Mortuary \$193,598.55, or a total of \$521,400.23. Then Sick and Funeral Benefit with interest \$130,534.44, or a total of \$651,934.67, including interest. Both these statements include the remission of the debt forgiven by the Supreme Court and afterwards reassumed? A.—Yes. (Statement Exhibit 454.)

Q.—And interest has been running on that since the date of the resolution? A.—Yes sir.

Q.—That is the history of the General Fund? A.—Yes.

Q.—Now there are one or two matters I want to ask you about in connection with your expenditure from time to time. I do not know whether you have it in your mind, but probably you will be able to say if these figures are about correct. Your meetings of your Supreme Court are

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rather expensive affairs, or have seen, have they not? A.—Very expensive.

Q.—Why? What are the elements that enter into the expense? A.—The representatives come from all over the world, from Australia, Great Britain, all over the United States and Canada, and their travelling expenses to and from the Session are paid by the Supreme Court, and then, of course, there are the incidental expenses of meetings, which are very small, hall rents, and other expenses we are put to. The chief expense is the mileage and per diem allowance to the representatives of the Supreme Court.

Q.—A good deal is spent in connection with these meetings in what I may call, broadly, advertising the Order. You pay a good many brass bands? A.—We are generally quite willing to spend money wherever and whenever we can to advertise the Order. We find it pays to keep the Order before the public.

Q.—And your Triennial Meetings are rather in the nature of mediaeval spectacles, are they not—sometimes very spectacular? A.—When the Royal Foresters come out in their millinery, it is simply grand.

Q.—I called it a conclave yesterday. You did not, perhaps, like the word, at all events each meeting of the Supreme Court is made to have great spectacular effects? A.—To get all the advertising out of it for the Order that we can.

Q.—That cannot, of course, be done without money? A.—Oh no.

Q.—And then you are very lavish in your entertainment of your delegates, are you not? A.—No.

Q.—Are you not? A.—No.

Q.—Don't you give them moonlight excursions? A.—No, that is done by the local organizations when we meet. I do not think the Supreme Court has ever spent a penny for its own entertainment when at our meetings.

Q.—You do not think, for instance, you have had banquets or anything of that sort? A.—No sir.

Q.—Then these are the figures that have been taken from your records. In 1895 you met in London? A.—Yes.

Q.—That was a pretty expensive jaunt? A.—Yes.

Q.—\$71,857.26 were the expenses of that meeting? A.—You see it is away to one side of our whole jurisdiction.



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Q.—Did you make any economic arrangement about the delegates from this side travelling over? A.—Yes.

Q.—Did you charter a vessel? A.—Yes, we chartered a steamer by which we got over for nearly one-half what it would have cost had they gone in the ordinary way.

Q.—Where did the steamer sail from? A.—Philadelphia.

Q.—And it was intended to take the delegates, both from the United States and Canada, all in that steamer? A.—Yes.

Q.—Were they all so accommodated? A.—A very small delegation went from Halifax, I think, the Maritime delegates, but all the rest, the Canadians and Americans, went by that steamer.

Q.—Then you say in that way it cost about half of what it would have otherwise cost? A.—Yes.

Q.—Why? A.—Because we got the delegates over for a much less sum.

Q.—That is chartering a steamer was less than the individual delegates buying ocean passage? A.—Yes, and he could not charge any more than it cost him, because in those days it was actual out of pocket expenses we paid; to-day we pay so much a mile, according to the nearest route from the point of departure to the place of meeting.

Q.—Out of which he pays all his expenses? A.—Yes.

Q.—Including hotel expenses? A. Yes.

Q.—What is your mileage? A.—5 cents a mile one way, and then we give a per diem to cover the hotel expenses, \$5 a day.

Q.—Is that per diem while he is travelling as well as— A.—From the time he starts from home.

Q.—He gets the mileage from the time he starts till he gets back? A.—Yes.

Q.—Your next meeting was at Toronto in 1898? A.—Yes.

Q.—That was startlingly cheap? A.—Yes.

Q.—The expense on account of the meeting was \$32,843.34? A.—Yes.

Q.—Why? A.—Because it was centrally located, in the Great Jurisdiction, the Jurisdiction where most representatives live, United States and Canada, it made the meeting very much cheaper.

Q.—In 1902 you met in California? A.—Yes.

Q.—That was a dear meeting? A.—A very expensive one.

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Q.—Was that because it was not centrally located? Or was it because there were some special features about that meeting? A.—The extreme one side of the Jurisdiction again, and then we went from Los Angeles to San Francisco.

Q.—The cost of the meeting in California was \$88,871.69? A.—Yes, that was the first occasion when we had the Australian delegates present. There were, if I remember rightly, six or seven.

Q.—It would not be proper for a mere onlooker to make a suggestion, but is not the central location the ideal location for a meeting which may otherwise be so expensive?

MR. HUNTER: The Supreme Court has so ordered? A.—You will be glad to learn the Supreme Court have forestalled your suggestion by making Toronto the permanent place of meeting.

Q.—In 1905 you met at Atlantic City? A.—Yes.

Q.—That was more central than either of the other places, but less central than Toronto? A.—Yes.

Q.—And you had an encouraging fall in expense there? A.—Yes.

Q.—\$39,767.12? A.—Yes.

Q.—And all these four meetings, ranging over 11 years, cost \$233,339.41? A.—Yes. (Statement Exhibit 455.) At the present time, instead of taking the whole of these expenses out of the year in which they occur, I am advised we are setting aside a sufficient sum to meet the expense of the next meeting so that it will appear in our accounts in the different years and will not swell the expenditure for the one year so much.

Q.—Then you will levy an assessment running over the years intervening between the two meetings? A.—Yes, simply a division of it, there will be no assessment made on the Minutes.

Q.—I mean you will make estimates each year? A.—Yes.

Q.—And so provide— A.—An appropriation.

Q.—Perhaps it is proper I should ask you: at \$5 a day while a member is travelling, stopping and returning, and 5 cents per mile, is there not a considerable profit in that for the cautious and prudent man? A.—Oh, it is with some, but I venture to say that you and I would spend a little out of our own funds if we were travelling on that allowance.

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Q.—A man who simply travels and pays his hotel bills, and does not spend money otherwise saves money? A.—Well, some of them do.

Q.—How much of that would a man coming from San Francisco to Toronto save, about? A.—Well, if a man came—

Q.—If he were of the right nationality and belonged to the right clan?

A.—If he came without any sleeping car accommodation, as I have known of some of our members to do, he would save a considerable sum of money.

Q.—How much? A.—Perhaps 5 per cent. of what there would be paid.

Q.—What would that run to in money? A.—Oh, I could not say.

Q.—\$100? A.—Oh no.

Q.—\$100? A.—Oh no. Take the distance to California, about 3,000 miles, we would probably pay him \$170 and he would save, say, \$20 out of that if he did not take a Pullman.

Q.—If he were of a frugal mind, although he was bent upon pleasure, he might save a considerable sum? A.—Yes. Some of the foreign delegates I have been told from the Old Country, come 2nd class and they got 5 cents a mile and they saved quite a large sum.

Q.—Do you think it would be at all reasonable to revise your allowances in that view, or how does that strike you? You would know much better than I— A.—My own impression is that if we allowed a man to put in his bill for expenses to and from the Supreme Court, the bills would be very much larger.

Q.—Unless there was a taxing officer? A.—Oh, we have a Taxing Committee, but how can you check a man? He says, "I paid so much for a meal, and I had so many of them, and I had this, that and the other expenditure that was necessary in travelling, because I travelled like a gentleman, myself, and when I am travelling for the Order I do the same." We had that system and we got the impression that we could economise by adopting this new system.

Q.—And I suppose no one has been so bold as to suggest that the honor of being a member of the Supreme Court is sufficient remuneration— A.—Oh there is great competition in the High Court as to who should go, but we have never put it that way, you should go for the honor of it, so that I cannot answer you.

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Q.—Then another subject I want to ask you some questions about is the matter of salaries. You have had furnished to us a statement of the salaries of executive officers ranging over the years from 1896 down? A.—Yes.

Q.—And that, I propose, to make part of the record and propose to ask you a question or two about. I commence with you because you are at the top. A.—I get the most.

Q.—No, because you are at the top of the Order? A.—Yes.

Q.—What has been the arrangement that you have had? A.—Since I began I have had a salary ranging from \$200 a year—or rather from nothing—

Q.—Well, that was not a salary? A.—One year it consisted of an elaborate resolution of thanks, but only one year, and then I have been paid ever since I have been Supreme Chief Ranger a salary ranging from \$200 to \$15,000 a year.

Q.—I see that sometimes—perhaps it is very easily explained—I see that in 1896 you drew \$10,833.29. What was your salary that year? A.—I could not tell you.

MR. HUNTER: \$10,000.

WITNESS: My salary was \$10,000. I can tell you that I have never a penny over and above the salary voted by the Supreme Court. The explanation given to me by my assistant is that I did not draw my full salary the previous year.

Q.—Then apparently you were in receipt of a salary of \$10,000, in 1897 and 1898. Then in 1899 you drew \$16,666, while in 1900 you drew only \$3,333.32 making for the two years \$20,000. So, I suppose your salary was still \$10,000? A.—I think it was when I went to India.

Q.—That would be in 1899? A.—At any rate I went somewhere for the Order and I drew my salary in advance from the time that I left till the time—

Q.—Mr. Hunter says that was the time you went to Australia, the first time? A.—Well, I drew my salary in advance.

Q.—Then you seem to have remained upon that same salary, or to have received that same salary during 1901, 1902, 1903, and probably in 1904 and 1905, but I am not sure about that, because the figures are irregular. A.—The same. In 1905 it was raised at the meeting at Atlantic City.

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Q.—At the meeting last year at Atlantic City, what was done about your salary? A.—It was raised to \$15,000.

Q.—And that is the figures at which it still stands? A.—Yes.

Q.—Here is a Report as to salaries. It is signed by the members of the Committee, one of whom comes from Illinois, one from California, one from Ohio and one from Eastern Ontario, and one from Michigan. "Your committee would recommend changes in only two of the officers of the Supreme Court, as many of you will remember, the Supreme Chief Ranger refused to allow the Supreme Court, when it met in London in 1895, to increase his salary. He took the same position at the Supreme Court at Los Angeles." (Reads) That is apparently founded upon a satisfactory condition of matters in regard to the General Fund? A.—Yes.

Q.—That is, you were— A.—We had practically reached the period when the expenditures were within the income.

Q.—That has no reference, you think, to the deficit which had been— A.—Oh no.

Q.—Of course in a sense if you have reduced your expenditure so that it is confined within your revenue, the situation has been relieved, but the debt still remains to be paid? A.—Oh yes. That won't bother us, we can pay that.

Q.—Pay that and the salary too? A.—Yes, I am sure it will be gratifying for you to know that that vote of \$15,000 was passed unanimously, except one man voted against.

Q.—I was not there, so I could not have been that one to vote against it? A.—I am sure you would not.

Q.—Do you mean that I am glad for the one, or for the 99. Well, I have no doubt the Supreme Court felt just as that resolution says? A.—I wanted to bring out the fact—

Q.—As the Australian correspondent says, you are a hypnotist? A.—Yes.

Q.—Are you aware—I do not put the question for any personal reason—are you aware of any other fraternal organization whose presiding officer is paid as large a salary as you are paid? A.—I do not think so.

Q.—You do not know of any that anywhere nearly approaches it? A.—No, I do not know of any presiding

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officer of any of the great fraternal societies who is required to do as much work as I am required to do in my office.

Q.—Mr. Hunter suggests that we institute a comparison with the line companies, but you would not like that? A.—I think it will make me feel badly to know how little I am getting.

Q.—Well then Mr. McGillivray, the Supreme Secretary, has been in receipt of \$6,000 a year apparently, up to last year? A.—Yes sir.

Q.—Was his salary also raised last year? A.—\$1,000—made \$7,000.

Q.—That is the whole of Mr. McGillivray's remuneration is it? He has no other fees in connection with the Foresters at all events? A.—No, no.

Q.—He did while he managed your own finances look after the loans? A.—Yes.

Q.—And his salary covered all that? A.—Yes.

Q.—And our friend Mr. Harry Collins has had a rather more varied experience in the last 10 years? He commenced with \$2,000 a year. In the first place did he devote his whole time to it? A.—He did not at that time.

Q.—He had \$2,000 a year in 1896 and 1897. And in 1898 he had \$2,249.94? A.—It must have been \$2,250.

Q.—And in 1899 \$2,500? A.—Yes.

Q.—And in 1900, \$2,500? A.—Yes.

Q.—And the same in 1901, 1902, 1903 and 1904, and in 1905 what did they do? A.—It was made \$7,000, the same as they paid the Executive officers.

Q.—\$7,000? A.—Yes. But his whole time is now given to the Order.

Q.—As Treasurer? A.—Yes.

Q.—Or as Organizer or how? A.—No, as Treasurer. He occasionally goes out and addresses public meetings.

Q.—His duties, I should think, since your arrangement was completed with the Trust Company have not been very onerous as Treasurer? A.—Well, the responsibility of his position and so on demand an adequate salary. There was a good deal of responsibility in his position, and I know that since he has given his whole time and better attention to the finances of the Order he has saved us quite a considerable sum.

Q.—Then Dr. Millman in 1896 had \$6,000, and in 1897, which seems to



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be a different year for him, out of the group, he had \$6,500? A.—That would be in deficient payment probably in the previous year, if I remember correctly it has always been \$6,000, until the meeting at Atlantic City.

Q.—What did they do for Dr. Millman at Atlantic City last year? A.—Added to his salary \$1,000 and made it \$7,000, and in my opinion, if it had been \$17,000 we would not have been paying any too much.

Q.—His duties are onerous as medical referee? A.—Oh yes, onerous. The work is very large, and he does his duty better than any other medical referee that I know.

Q.—Well, then I won't trouble you about Mr. Greer or Mr. Fitzgerald, because by comparison they do not invite observation? A.—No, they are small.

Q.—Though perhaps, by regard to what men of similar capacity are receiving in other institutions they may seem large by comparison, but they are small by comparison with your other out-goes? A.—Well, I think if you get an auditor whose time is required every day of the year, Sundays and holidays, and all day long they are doing their work, I do not think anybody will say we are paying them too much. My impression is that we ought to pay them more.

Q.—Then I see Mr. Rea—is that the English actuary? A.—Yes.

Q.—He did not go as far back as 1897, but in 1902 he drew \$730—\$729.99? A.—Yes.

Q.—Then he got a very considerable sum the next year, \$6,083.26. What was the arrangement with Mr. Rea? What was the method of his remuneration? A.—We were to pay him £1,000 a year, and I do not know whether those two are divisions of that sum, or whether the \$600 is due to his making the valuation of the Report for us, I cannot tell. But the arrangement is that we pay him £1,000 a year.

Q.—And you pay him valuations besides? A.—Just the expenses.

Q.—You mean his out of pocket expenses? A.—Yes.

Q.—Mr. Hunter says the arrangement was made at the meeting in 1902? A.—I do not think so. He is one of the employees whom I have authority to employ, and not an officer elected or appointed at the Supreme Court. He was made an officer of the Supreme Court at the Los Angeles Session. He did his first work in 1892? A.—Yes.

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Q.—The Valuation Report was the first work he did? We have not got him in 1897 here. Mr. Rea was very well paid for the work he did? A.—Oh, he was well paid. Nevertheless his work was full value to the Order.

Q.—It was worth all you paid him to get the Board of Trade Returns in such shape that they could go in and pass inspection. He was not doing simply actuarial work. He had charge for some little time of our head office in London and had control of the organizing officers.

Q.—I see you are paying out—I do not know whether this overlaps or not—I see you paid out large sums for actuarial work in addition to what was paid to Mr. Rea? A.—Yes.

Q.—Where was that work done? A.—In the Old Country chiefly.

Q.—Under Mr. Rea's supervision? A.—No, it was an independent man, Mr. William Schooling.

Q.—I see one year it ran as high as \$38,000, actuarial work apart from Mr. Rea. What was it about.

MR. HUNTER: What year was that?

MR. SHEPLEY: That was 1900.

MR. HUNTER: That would be inclusive of Mr. Rea.

MR. SHEPLEY: Q.—By the way, there was something I wanted to ask you, but omitted. This is out of place, but, perhaps, you will tell me just here, you spoke yesterday of Mr. King having prepared a certain statement which you put before us? A.—Yes.

Q.—What is the history of that statement? Did you procure that from him? A.—No.

Q.—What was the occasion of his making it? A.—He was employed by some of the old line companies, as we say, by somebody at any rate, because he is not accustomed to do that sort of work for nothing—to calculate the future history of the Order, and he gave that calculation, and as I say it very materially affected us in our work in Great Britain, for a little while.

Q.—In the ten years 1896 to 1905, inclusive, you have paid salaries of officers \$322,330? A.—I should imagine so.

Q.—Wages of office employees, \$600,-504.10, organizers' salaries \$945,549.-84; organizing expenses \$771,496.36? A.—Yes.

(The Commission then adjourned to 10.30 to-morrow.)

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SEVENTIETH DAY.

MORNING SESSION.

Toronto, Thursday, Sept. 20, 1906.

—Examination of DR. ORONHYA-TEKHA continued:

MR. SHEPLEY: This is produced, and I put it in subject to verification of course, but I have no doubt it is correct, as a table prepared in pursuance of the request of your Honours in respect of the difference between the old and new rates, and it is interesting. It is not only interesting, but in some respects it is startling. It is arranged in five columns, the first column being the age, the second column being the 1881 rates per thousand of insurance, the third column the present rates per thousand, monthly of course; the next column is the difference, and the last column of all is the increase in terms of percentage. At age 18 the increase was from 60 to 76 cents, or an increase of 26.7. At 19, 61 and 78 cents, or a difference of 27.9. So the rates go till you reach 34, which is said to have been the average age.

WITNESS: Thirty-five.

Q.—Said to be the average age, when the difference is 76.9 per cent. increase; and then on to 54, when the difference is 110.8. I won't read it all. Your Honours will see how the increase sprang up with the increasing age.

JUDGE MacTAVISH: The increase of rates was in 1899.

WITNESS: 1899 it went into effect.

MR. KENT: The rate to the older members was practically doubled.

MR. SHEPLEY: Taking the average age 35, it was nearly doubled, nearly 77 per cent.

JUDGE MacTAVISH: At age 54 it was more than doubled.

MR. SHEPLEY: It was exactly doubled at 49, 50 and 51. There is something there, it may be accidental, the rate goes up and then goes down again.

MR. HUNTER: Percentage of increase.

JUDGE MacTAVISH: Does that apply to new members only?

WITNESS: After first January, 1899.

MR. SHEPLEY: The old rates are still being paid by the members? A.—The old rates were too low altogether between certain ages.

Q.—Did you levy the increase upon the old members or only upon the

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new? A.—Only upon the new members.

MR. HUNTER: And it was in connection with that the doctor's evidence was that the old members paying the old rates still contributed over their own mortality nearly a quarter of a million last year?

MR. SHEPLEY: This fluctuates up and down, for instance it reaches 100 at age 42; then it goes to 102, 104, then down to 103, then up to 104, and then down to 100 again, and then up to 110?

WITNESS: The fluctuations of rates existed in the old rates, and this is supposed to be the equitable premium rate for all ages, and if they were inequitable in the old rate of course the difference would be greater.

Q.—That is you graded your rate preserving proportionate inequalities?

A.—Corrected the inequalities that existed in the old rates. The rates from say 50 upwards in the old rates were higher in proportion to the rates at 40 and 42 and along there.

—Memorandum produced showing comparison of old and new rates filed as exhibit 456.

Q.—You seem to be armed with another paper, is that something else?

A.—Nothing else unless you want more information about Australia expense.

Q.—I was going to ask one or two questions about that? A.—Perhaps I had better put in this. It shows our Australian expenses which you and I both agree are enormously high when compared with a leading old line company operating in Canada in the ordinary field. You see the average of the cost per member in the I. O. F. in our Australian operations—

Q.—Cost per application secured? A.—Yes.

Q.—That is a comparison compiled in your office of course? A.—Yes.

Q.—Between the cost in Australia per member and the cost in a leading Canadian old line company in its ordinary field of operation? A.—Yes.

—Memorandum produced showing comparison between cost of I. O. F. per member secured and the cost in a leading Canadian old line company marked as Exhibit 457.

Q.—This is a statement of the expenditure of the Hon. W. H. Montague in Australia, 25th April to 31st December, 1901. We shall probably have to ask some questions of other people about it, but there is one item in it I want to ask you about; see whether it is "special additional"

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allowance" or "special Australian allowance, arranged with S. C. R. £200," is that Australian? A.—Yes.

Q.—I want your explanation of that? A.—I agreed when he consented to go to Australia to increase his salary by a certain amount per month, and that is the amount when counting the number of months he was there.

Q.—What was the amount per month? A.—If I remember correctly it was \$100, but I am simply giving it from memory, the records will show how much. I was under the impression it was so much per month in his salary, it may be the correct statement that I agreed to increase his salary by \$1,000.

Q.—This would be apparently for eight months? A.—About that time.

Q.—So that if you divide eight months into the £200 you would get what it would represent per month? A.—Yes.

Q.—What was the reason of that increase? A.—Because he was going away from home, and he said he wanted to take his wife, and I did not really want to separate man and wife, and I made him an extra allowance for that extra expenses to which he was put that he would not have incurred if he had been left at home.

Q.—That is your explanation with regard to that? A.—That is my recollection in regard to it, and I think it is correct.

Q.—I will not trouble you with the rest of the account because it passed your auditors, and they will probably be the best witnesses with regard to that? A.—I think I ought to state that Montague increased our receipts of new members—

Q.—That is what he went for? A.—Yes; from 50 or 60 to 200 and 300 a month; so that he was well worth the extra we paid him.

Q.—There are two items of expenditure in addition to the items I was last asking you about last night, and to which I would like an explanation; we had run briefly through the salaries of the officers, the employees, the organizers and the organizing expenses? A.—Yes.

Q.—There is a great fall in the organizing expenses between 1903 and 1904, you will remember that, that was when you commenced to retrench? A.—Yes.

Q.—They fell from \$122,000 in round numbers to \$65,000? A.—Yes.

Q.—In 1905 it was \$81,000, so that it raised again, but it still was not

up to the old mark of \$112,000, \$132,000, \$171,000, and so on? A.—Yes.

Q.—In the last two years, 1904 and 1905, while your organizing expenses show the decrease that I speak of an item is added: "Bonuses and commissions" amounting in 1904 to \$35,000, nearly \$36,000, and in 1905 to over \$40,000; have you anything to say with regard to those items? A.—The increase in 1905, I think, is due to the Supreme Court Session, the special extra expenses.

Q.—No, this is organizing expenses? A.—No, but the other expenses there, you said the expenditures rose again in 1905, I think—

Q.—From \$65,000 to \$81,000? A.—I think that was due to the extra expenses incurred by reason of the Supreme Court session in 1905.

Q.—No, this was merely organizing expenses? A.—Well then, the commissions and bonuses are commissions and bonuses paid to organizing officers, special organizing officers.

Q.—They should be included in the organizing expenses? A.—Certainly.

Q.—And if you add the bonuses and commissions for the two years, 1904 and 1905, you do not show any retrenchment at all? A.—Probably not in the organizing field.

Q.—That seems to be out of line with the policy which was laid down so vigorously and so vigorously carried out by the Executive? A.—No, the economies were not applied so severely to the organizing forces as to other matters, for instance the publication of "The Forester."

Q.—They were applied pretty vigorously to the organizing field abroad? A.—Oh yes, but they might easily have been augmented in Canada and the United States, which is the policy in existence, that we should confine our work principally to Canada and the United States.

Q.—Then we will have to modify the description we gave of your policy yesterday, because we were rather treating it yesterday as a retrenching policy upon the whole, it was rather a shifting of the expenditure from one to the other? A.—I think you will find, I have not had time to look at it, but there must have been some reduction, I do not exactly understand the reason why it is in that state.

Q.—There is some reduction, it was reduced from \$122,000 to \$101,000 and then the next year it goes up to \$122,000 again, adding bonuses and



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commissions to what are put under organizing expenses? A.—Yes. The new policy is rather an entire change of the organizing methods to give to members in every court these bonuses and commissions who secure members, individual members. This is a statement prepared by us and I think you will be able to verify it, showing the percentage of expenses there and showing the diminishing—

Q.—That I intend to take up at another time, and unless you feel very urgent about it I would rather not touch it just at the moment? A.—Very well.

Q.—What you apparently did was to retrench in salaries and to increase in bonuses and commissions, that is paying your workers by the piece rather than by the day? A.—Yes. You must remember that the mere figures alone do not represent whether there was an increase or decrease, it is dependent upon the income received.

Q.—The amount of business done? A.—No, I mean on the income received. If our income was considerably larger we might spend a little sum just in the figure, and still there be a reduction in the expenditure.

Q.—So that the figures may be upon record, we should add to organizing expenses for the ten years which this statement covers for bonuses and commissions the sum of \$76,304.50? A.—Yes, that is a part of the organizing expenses.

Q.—Let us take up the official organ, that is the newspaper called "The Forester?" A.—Yes.

Q.—From the minutes yesterday there was a date it was thought to economize in the management of the official organ? A.—Yes.

Q.—And the method you took, do you remember just off-hand what it was? A.—In the first place to reduce the size of it just by one-half, and then afterwards by publishing it bi-monthly instead of monthly.

Q.—There were two stages of economic reform, one was where you reduced the size and the other where you made it bi-monthly instead of monthly? A.—Yes.

Q.—When you say bi-monthly you mean every two months? A.—Yes.

Q.—This is the resolution that was passed on the 23rd February, 1903: "It was further resolved in conformity with the action this day taken looking to the curtailment of expenses that such reduction in the number of pages of the official organ be made as will bring the expendi-

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ture for that purpose within the amount equal to ten cents per annum for each member, such expenditure to be pro-rated in equal amounts monthly," that was the first of the changes? A.—Yes.

Q.—I have not found the other change indicated in the minutes, perhaps that was done without a minute, the change making it bi-monthly? A.—I do not know whether that would be in the minutes, it may have been determined among us.

Q.—Then we ought to find perhaps a substantial retrenchment in the expenses under that item, as we follow it out in this statement? A.—Surely.

Q.—The official organ in 1896 cost \$22,318; it rose to \$26,000 odd in 1897, to \$33,000 odd or nearly \$34,000 in 1898, to nearly \$38,000 in 1899, to nearly \$38,000 again in 1900, and then in 1901 it sprang to \$59,245? A.—Yes.

Q.—That was your high-water mark in expense as far as the official organ is concerned? A.—Yes.

Q.—Do you offer any explanation of the sudden and great increase in cost? A.—Only to the increase in our membership.

Q.—That would require a larger edition? A.—Of course.

Q.—In what little I know about these matters the size of edition is not a very great element, it is the size of the paper itself, that is the element? A.—The number of the edition certainly is the leading governing principle; if you publish 200,000 this year and 250,000 next year you will find it cost you a lot more.

Q.—That is your experience in dealing with publishers? A.—Certainly.

Q.—Of course it makes some difference but it is not in the ratio of the number? A.—I cannot understand how it could possibly not cost more if we issue a larger edition.

Q.—I do not say it does not cost more, but I say it does not cost in the ratio of the increase? A.—I do not know about that.

Q.—In 1902 it had dropped to \$42,000, in 1903 when you applied the shears, to \$34,000; 1904 to \$30,000; 1905—that must have been the year when you made it once in two months? A.—Yes.

Q.—It dropped to \$21,000? A.—Yes.

Q.—In all you have expended upon the official organ \$345,401, or an annual expenditure of \$34,540 for the ten years? A.—Yes.

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Q.—Does the official organ contain advertisements? A.—Very few, but anything paid for advertisements is paid back into the fund.

Q.—That is it goes to reduce the expense? A.—Yes.

Q.—It is not then a self-supporting journal, perhaps it never was intended to be self-supporting? A.—Oh no, we get a subscription from each member for "The Forester."

Q.—Does not that go against the expenses or into a general fund? A.—It goes to the general fund.

Q.—Another item in the expense that I want to ask you two or three questions about is under the heading of legal expenses; you afforded a very admirable encouragement to a very noble profession? A.—It was not by our good will that the encouragement was given, I can assure you.

Q.—In the ten years you have expended \$132,290 in legal expenses? A.—Yes.

Q.—In 1896 it was \$4,573.78; they arose in 1897 to \$5,461; 1898 \$7,500; 1899 \$13,020; 1900 to \$13,510; 1901 to \$15,500; 1902 \$14,800. Then they fell back in 1903 to \$13,650. 1904 they raised with a bound. \$23,200; 1905 they were nearly \$21,000. How do you account in the first place for the increase in 1899 from \$7,500 to \$13,000? A.—It is not of certain knowledge, but I imagine it was due to the fact that we arranged with our Supreme Counsellor to take his whole time.

Q.—I do not think that was so far back as 1899? A.—No.

Q.—I am speaking of that year? A.—I cannot tell unless it was due to having more cases in dispute. The legal expenses in connection with defending suits and suicide cases would be all included in that, in which it is shown by the statement that we saved a very large amount.

Q.—I do not ask about 1904 and 1905, because those are explainable upon the face of the minute? A.—Yes.

Q.—You have been of course liberal with your legal advisers as you have been liberal with everybody? A.—The legal advisers file their bill and we have to pay them whether we like it or not. In some cases I have thought they were very excessive, but had no remedy, and it is not good policy to quarrel with your lawyer.

Q.—Then the Order made some provision for the hungry at one time, you had a Cafe? A.—Oh yes.

Q.—It was called the Temple Cafe? A.—Yes.

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Q.—And it adjoined your building? A.—Yes.

Q.—How long did you run that? A.—I think about a couple of years.

Q.—Do you remember when it ceased? A.—1901.

Q.—You had run it for a couple of years prior to 1901 and it was that year discontinued? A.—Yes.

Q.—Discontinued why? A.—Because it did not pay.

Q.—Have you ever had an estimate made of what you lost in running the cafe? A.—At the time we closed it we had an estimate made of what we had lost and we decided to close it.

Q.—What about had you lost by it? A.—I do not remember at all what the amount was.

Q.—Let me see if I can assist you; did the items in connection with that go through your supply account? A.—Yes.

Q.—You told us, I think, the first day we were discussing your organization, that the ordinary items of supply yielded you a profit? A.—Oh yes, but I was thinking at that time of the ritual and the forms and the constitutions and supplies of that character.

Q.—Those yield you a profit? A.—Yes, but this item escaped my mind altogether at that time.

Q.—In the ten years, of course we only want the thing in the large and not in detail, in the ten years your supply receipts were \$142,449.81? A.—Yes.

Q.—Was there any other item entering into your supplies account besides the cafe that was at a loss?

MR. HUNTER: Excuse me, that is not quite accurate.

MR. SHEPLEY: What I am asking you is this, was there anything else going through the supplies account that was unprofitable besides these Temple Cafe accounts? A.—I do not think so; of course you will understand that when the Supreme Court changed the constitution and those changes required new forms we had to destroy the whole of the stock on hand and prepare new ones altogether.

Q.—The figures that are given me are that your expenditures through the supplies account amounted to \$279,336? A.—Yes.

Q.—That would show a total loss on supplies account of \$136,886?

MR. HUNTER: Those figures are not right; I do not want you to adopt

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them at this stage. First of all he has read the wrong line to begin with.

MR. SHEPLEY: At all events, if we examine the supplies account and if we ascertain that there is upon the whole conduct of the account a loss it is not unfair to attribute that to the running of the cafe? A.—Oh surely, part of it.

Q.—You did not lose anywhere else, on the contrary you made gains elsewhere? A.—We lose whenever we destroy our forms and have to print new ones.

Q.—Is there any way of measuring that? A.—I think so, and I see no reason why we would not be able to give you the exact loss on the cafe.

Q.—That is what I want to get; you think that could be done? A.—Yes.

Q.—I want to ask you some questions a little more in detail, but not very much more in detail than I did yesterday about the Orphans' Home; how did you in the first place provide for the moneys that were expended there, and how much money was originally expended? A.—A very small amount from subscriptions of the membership, voluntary subscriptions.

Q.—When you say a very small amount can you give me an idea, was it in hundreds or thousands? A.—No, perhaps twenty or twenty-five thousand.

Q.—Then that did not go very far? A.—No.

Q.—Then what did you do? A.—I consulted the Executive, and they authorized the borrowing of what funds were necessary to complete the Home from what funds were available to borrow from, the sick and funeral funds chiefly.

Q.—How much was borrowed? A.—The whole balance.

Q.—How much? A.—Probably \$200,000 or a little more.

Q.—We have a statement in the minutes from which I was reading yesterday which perhaps will give us the net result at the conclusion sufficiently. At the same meeting at which you were authorized debentures to indemnify the mortuary fund and the sick and funeral fund you passed this resolution: "Whereas the Supreme Chief Ranger in carrying out the plan for the erection and equipment of the Orphans' Home at Foresters' Island has incurred in the name of the society obligations aggregating more than \$50,000 above \$100,000 borrowed for that purpose from the sick and funeral fund"—that

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measures the original dip into the sick and funeral fund at \$100,000? A.—Yes.

Q.—And you had incurred in the name of the society obligations aggregating more than \$50,000; the exact amount does not seem to have been known? A.—Yes.

Q.—"For material, labor, machinery, etc., entering into the construction and equipment of such Home"—was that obligation or were those obligations above the \$100,000 ever returned to the Insurance Department? A.—Not vet.

Q.—It was not shown as a debt of the society? A.—Yes.

Q.—It never was shown as a debt of the society in your returns to the insurance department? A.—I do not know as to that; if you say they were not you have seen the returns.

Q.—"And whereas it is expedient to provide \$50,000 to meet such obligations. Be it therefore provided," etc. (Reads to the words "general fund of this society?") A.—Yes.

Q.—"Resolved further that the Supreme Chief Ranger, Supreme Secretary and Supreme Treasurer issue a like debenture for \$100,000 to be held by the society as evidence of the indebtedness incurred in borrowing sums of money," etc. (Reads to the words "be charged against the Orphans' Home contributions.") Let us see if we just put that in the shortest possible fashion; you had taken already \$100,000 out of the sick and funeral fund? A.—Yes.

Q.—And the Orphans' Home was not of course in any way a charge on the sick and funeral fund? A.—No.

Q.—If you were entitled to go into the enterprise at all you ought to have done it out of the general fund? A.—We are going to do it out of the general fund.

Q.—I say if you were entitled to go into the enterprise at all that is where the money ought to come from? A.—Yes, and from which it will come eventually.

Q.—You have issued two debentures, one for one hundred thousand dollars, which is held in trust for the sick and funeral fund bearing interest? A.—Yes.

Q.—You have issued a debenture which is held by the Standard Bank—did you borrow the money there? A.—I could not tell you, I think not.

Q.—Have you borrowed it anywhere? A.—I cannot tell you.

MR. HUNTER: It was borrowed from the Standard Bank.



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MR. SHEPLEY: The Standard Bank lent \$50,000? A.—Yes; I was not sure of that, because I have not closed the accounts of the Home, and I want to do that myself.

Q.—Has the \$50,000 been expended in discharging the obligations, or is it being expended? A.—Yes, it is not quite all expended yet.

Q.—Will \$50,000 be enough to discharge the obligation or will there be some outstanding? A.—I hardly think it will be enough, we will have to provide a little more money.

Q.—Is the Orphans' Home complete? A.—Yes, complete with just one or two outbuildings, hen-house for instance, because we are going into hen industry there and teach the children how to raise hens and partly maintain—

Q.—The building is erected and completed and equipped throughout? A.—Yes, throughout, and is said to be the most complete of its kind in Canada.

Q.—And it is in operation? A.—Yes; we have 19 orphans there now and applications are coming in.

Q.—How long since it was completed and since it commenced to be occupied? A.—It was occupied I think last March.

Q.—You mean of this year, 1906? A.—Yes; it may have been a month or two earlier.

Q.—Mr Hunter tells me what I think I had known before, that you were in error in stating that the other debentures had actually been issued in respect of the mortuary and sick and funeral funds? A.—Yes, I learned that last evening myself.

Q.—That was an error? A.—Yes.

Q.—That the debentures had never been issued? A.—Yes.

Q.—Did you learn why? A.—No.

Q.—You did not learn that you were advised it was a transaction you had no power to enter into? A.—No.

Q.—You do not recall that? A.—No. I think it was just having too much work to do. You know you have given us a powerful lot of work lately. It might seem strange to you that some of these things were not attended to. We have tried to comply with your requisitions, but perhaps have not been able to comply with some of them.

Q.—There is a matter which has been suggested. I sometimes receive suggestions which I can assent to, and sometimes I receive suggestions that I cannot, but it has been suggested that I should ask you a question or two in regard to a clause in your

constitution. It is known generally as clause 188, but it is now clause 176 of the present constitution? A.—Yes.

Q.—Do you recognize it by this number? A.—No. The numbers were re-arranged at the last Session and I have not had a moment's time to give it attention.

Q.—This is the present form of it, rule 176, page 235 of this compilation: "No letter, circular or document relating to the Order shall be made, printed or circulated by any Court or encampment or member of the Order, without the sanction in writing of the Supreme Chief Ranger or the High Chief Ranger of the jurisdiction." That is the way it commences? A.—Yes.

Q.—The language of section 188, so far as I have read it, is the same as in the constitution of 1902: "No letter, circular or document relating to the Order shall be made, printed, or circulated by a Court or member of the Order without the sanction in writing of the Supreme Chief Ranger." What was the object of that? A.—Primarily to prevent some secession movements from the Order, and to prevent the circulation of begging letters, which were getting to be a nuisance.

Q.—Begging letters written from whom to whom? A.—From a subordinate Court having a member ill, they would undertake to issue a begging circular and circulate it among the Courts, and we wanted that this should be got under control, either by myself or the High Chief Ranger of the jurisdiction.

Q.—That was one abuse? A.—Yes.

Q.—You were speaking about some movements towards secession? A.—Yes.

Q.—Were there any attempts of that sort? A.—Yes.

Q.—There were cabals in the Order? A.—To give an illustration in short; the Court, I think it was at Forest, issued a circular to the Courts in the district, suggesting a convention in order to insure the action of the Supreme Court with reference to legislation passed at the previous session.

Q.—Now let us just analyze that for a moment. You are getting at the sort of thing I want to ask you about? A.—Let me just add, it was brought to my notice, and I suspended the charter of the Court issuing the circular.

Q.—The subordinate Courts sent their delegates to the High Court.

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and the High Courts sent their delegates to the Supreme Court, and the Supreme Court is the last resort of the delegates of the members of the subordinate Courts? A.—Yes, of the Order.

Q.—And every member of each subordinate Court is interested in what his representatives are doing in the Supreme Court? A.—Yes.

Q.—Well, is the Supreme Court intended to be above criticism by itself? A.—Certainly not, but only in a constitutional way. Any grievance should be sent through the representatives to the Supreme Court from the jurisdiction.

Q.—That is the people—let us call them the constituents—because that is what they are— A.—Yes.

Q.—The constituents are not permitted to address each other upon subjects of interest passing in the Supreme Court? A.—They are not permitted to use the machinery of the Order—

Q.—This goes further than that; they are not permitted to write a letter? A.—Well, they may write a letter advocating secession and asking the Court to take proceedings in a certain direction, and we say they have no business to do that; they ought to send their grievances in the first place to their own High Courts where they would be aired in a constitutional way.

Q.—They are to complain of what Caesar has done to Caesar himself? A.—But they should not use the machinery of the Order to spread any secession movement.

Q.—I can appreciate that, but this rule is much wider in its bearings than that? A.—Yes. I think you will find the rule in the constitution when it begins to deal with a subject covers the whole subject.

Q.—Just put it together, leaving out the additional words, "No letter relating to the Order shall be circulated by any member of the Order without the sanction in writing of the Supreme Chief Ranger." That is your sanction must be given before a member of a subordinate Court can address a communication in writing to another member of the Order upon any subject in which they are interested which has been before the Supreme Court? A.—I think it says "Court"—not a member.

Q.—"Shall be made, printed, or circulated by any Court or member of the Order?" A.—Yes, the intention of the law was to prevent the circulation of these letters and documents in our subordinate Courts.

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Q.—Do you approve of the principle of practically stifling criticism and discussion? A.—Most cordially I disapprove of the principle of giving members a free hand to breathe discontent in the Order, and it has worked like a charm. We have had no complaints from the members.

Q.—You cannot get them unless you endorse them? A.—They can write to me.

Q.—Unless you endorse them they can make no complaint? A.—But I say there are no complaints to me of this law and the fact that no amendment has been offered in the Supreme Court all these years shows that there is no discontent in the Order with reference to that rule.

Q.—You have not heard; probably you would not hear of the discontent if there were discontent? A.—I would be the first one to hear. They write to me, and they talk right out to me when they are writing of any grievance as they ought to, and as they have a perfect right to do. Let me say just in this connection, because I believe it is largely due to that section of the constitution, I know of no society of which in later years there has been as much harmony as in the I. O. F.

Q.—And you think it is largely due to the passage of this clause in the constitution? A.—Yes. If they have any grievance they have to wait until their High Courts meet, and then if it is of sufficient importance, and approved by a majority of the members—that is the grievance endorsed—then it goes up to the Supreme Court and is there considered.

Q.—You started to give me an illustration, I do not know whether you completed it or not, but it was for the purpose I was aiming at a very good illustration. The Supreme Court had passed some article of the constitution which was being criticised you told me? A.—Yes

Q.—Do you remember what it was about? A.—It was I think with reference to the rates of the sick and funeral department.

Q.—With reference to the rates which the Supreme Court was establishing or had established? A.—Yes.

Q.—And what was it that happened? A.—When I suspended this particular Court.

Q.—What was done that you suspended the Court for? A.—Well, the agitation was begun here that we had no right in the Supreme Court to

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touch the rates, which was a very dangerous doctrine.

Q.—That was a dangerous doctrine?  
A.—Surely.

Q.—It was a doctrine, the investigation of which would I suppose bear the light of day? A.—Surely.

Q.—And there was, I suppose, a right to every member of the Order to have his honest individual opinion upon the subject? A.—Quite so, expressed in a constitutional way.

Q.—Expressed in a constitutional way by a member upon the floor of the Supreme Court? A.—By instruction to your delegate to the High Court to make the complaint to the High Court, and then if the complaint is upheld by the High Court, then it goes on to the Supreme Court, and each delegate from that High Court is bound to represent the views of his High Court upon the subject.

Q.—But there can be no interchange of criticism, of critical ideas upon the subject between Subordinate Courts at all? A.—Well, I would not—

Q.—No interchange of views upon the subject in writing? A.—I would not go so far as that.

Q.—The rule goes as far as that? A.—Perhaps the rule goes that far, but the Supreme Chief Ranger ought to exercise some judgment.

Q.—That brings us back to the idea you expressed some time ago that in the construction and administration of the constitution you must trust something to the discretion and good judgment of the chief executive? A.—Yes, and we have found that an excellent rule so far.

Q.—Now, I take up another subject. You remember the acquisition by the Order of the control of the Provincial Trust Company? A.—Yes.

Q.—You were familiar with the subject at the time, and can perhaps give me the history of that in detail? A.—When the Executive decided to get a subsidiary corporation to take charge of our investments we made inquiries, and we found that the Government had decided not to issue any more charters for Trust companies.

Q.—What Government are you speaking of? A.—The Provincial Government.

Q.—The Ontario Government? A.—Yes. I think it was Mr. Laidlaw suggested to me that we might buy the charter of the Provincial Trust Company, and subsequently when we decided to try to buy that the Exe-

cutive authorized me to take the necessary steps to do that.

Q.—Do you remember—let me not go too rapidly over that—do you remember that an application was made to your body, to your executive by the Provincial Trust Company to come to their assistance sometime before you decided to do so? A.—No, I do not remember that.

Q.—The minutes say, on the 13th December, 1898: "On the application of Mr. Beith of the Provincial Trust Corporation for a re-organization of that company it was resolved that no action be taken." That was as far back as December, 1898? A.—Yes, I remember that.

Q.—Mr. Beith was the manager of the Provincial Trust Company? A.—Yes.

Q.—And you do remember the occasion? A.—Yes.

Q.—Just give us what took place on that occasion as well as you remember it? A.—Nothing, except that—

Q.—What was the application for? What did Mr. Beith want? A.—A re-organization so as to take in some of the interests, so that the Foresters would take some of the interests of the Provincial Trust Company, larger than they had at that time, and we decided that it was not to our interest to take any part in the Provincial Trust Company.

Q.—You did not then arrive at the policy that you would have a subsidiary corporation to handle your investments? A.—No.

Q.—That was a subsequent matter? A.—Well in a sort of a way. Because at that time the Provincial Trust Company would act for us if we wanted, in our investments.

Q.—I suppose any trust company would have acted for you, taking your money and investing it if you desired it. Now tell me what originated the idea of your having a subsidiary corporation? A.—It had been represented to me by leading members all over the country that they regarded the Order as perfect, and the only danger was in the future, with another executive, that there might be less forethought or care exercised in our investments of the property of the Order, in other words that the only point that they saw in which the Order might be considered to be weak was in the investment of its properties, not during our administration, as they said to us, but that at some future time it might become—



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Q.—That was a polite way of putting it to the present executive? A.—Yes.

Q.—Of course at some time in the future somebody else may be in charge and we do not know who that may be? A.—No.

Q.—Did you share that view yourself? A.—After consideration I thought our strength would be greatly increased if we got some men of standing in the community to practically invest for us, of course reserving such representation in whatever company might be formed to do this work for us, and the executive, as would assure the safety of the investments made, and the more I thought about it the more enthusiastic I became.

Q.—Will you tell me who the founders of that movement, or the missionaries of that movement were besides yourself? A.—Why the members of the Order were calling my attention to this alleged weakness of the Order.

Q.—You have spoken of them as men who were prominent; let us hear who they were? A.—Such men as Mr. Stevenson called my attention to the fact that frequently in knocking about his own people that this idea was expressed, which was the only weakness they could think of—Chief Rangers and secretaries of our Order and leading members of the Supreme Court.

Q.—And any who were not members of the Supreme Court? A.—Oh no.

Q.—Was the matter discussed among the executive prior to the resolution of the 6th January, 1900—because that resolution drops into the minutes apparently out of a clear sky. On the 6th January, 1900, it was resolved that we purchase a controlling interest in the provincial control of the corporation in Ontario by the purchase of this stock from time to time as we can secure the same, with a view to securing control at the earliest possible date? A.—Oh, it had been discussed.

Q.—And this was only crystallizing in the shape of a resolution what had been discussed as a matter of policy? A.—That is right.

Q.—At that time apparently you were not looking forward to owning all the stock, but only to purchasing a controlling interest? A.—That is all.

Q.—A controlling interest would enable you to mould the policy of the Trust Company? A.—Yes.

Q.—And that is what you desired to do? A.—Yes.

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Q.—Did it occur to any of you gentlemen who were discussing this question of policy that that Trust Company in its investments and in whatever it did would be subject to the control of the same executive that they were unwilling to trust with investments? A.—Oh surely.

Q.—That occurred? A.—Yes, but we had in the new arrangement the co-operation and the advice of eminent men.

Q.—That is as it came to be in the end? A.—That was the original idea that we procure in our arrangement the advice and the help of good, substantial citizens and business men.

Q.—You quite see of course that in any Trust corporation which you control your executive would be supreme? A.—Yes.

Q.—And the executive which was then making investments directly would be making investments indirectly by the hands of a trust company? A.—We had no distrust in ourselves prior to the organization of this corporation.

Q.—It was some future executive? A.—But it was a policy we thought which was good to pursue to let the membership see that we were taking every precaution as to the investments of the Order, that they be made wisely and safely, and we thought the association with us of the men of the character I have referred to would carry conviction, that our only aim was to conserve the interests of the Order.

Q.—In other words you would secure the advantage of an experienced and satisfactory management? A.—And still have control.

Q.—And still have control? A.—That is right.

Q.—Of course you could have done that directly by the executive itself appointing administrative officers of the character you speak of? A.—I suppose we could, but we thought it was better this way.

Q.—Were you then sufficiently in touch? perhaps you are more in touch with them now—with financial affairs to be aware that the holding of stock in a trust company is a favorite way of eminent financiers entering into transactions which they have no power to enter into? A.—I knew nothing about such things before then.

Q.—What those who were promoting the policy with you knew you do not know; they did not disclose any such scheme as that to you? A.—I do not think there was anybody promoting the thing except ourselves.

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Q.—At all events that was not part of the policy, consciously at all events?  
A.—Certainly not.

Q.—How did you go about purchasing the controlling interest? Whom did you employ to attend to that? A.—I put the matter in the hands of Mr. Laidlaw.

Q.—That is Mr. William Laidlaw?  
A.—Yes, he was then our counsel.

Q.—How long after the 6th January did you put it in his hands? A.—Very shortly after, I should imagine, but I cannot give you the exact date. You might say almost immediately after, according to my recollection.

Q.—Because I see in the Minutes on the 10th November of the same year, that resolution having been in January, this resolution or this minute, "the S.C.R. was instructed to take the necessary steps to get a controlling interest in the Provincial Trust Corporation of Ontario under Resolution of the Executive in that behalf on the 6th January last?" A.—That was after we had found out that the Government would issue no new Charters, and we opened negotiations.

Q.—Just wait one moment; we both want to get this thing the way it is. There was an existing corporation called the Provincial Trust Corporation? A.—Yes.

Q.—The resolution of January was to purchase a controlling interest in that corporation? A.—Yes.

Q.—No talk of a new corporation, so far as the Minutes were concerned? A.—No.

Q.—And on the 10th November there was no talk of any new corporation, but you were instructed to go on under the resolution to get the controlling interest in the existing corporation? A.—Yes.

Q.—You think, however, that may be quite so—you think, however, that in the meantime you had been discussing the establishment of a fresh, new company? A.—I think the idea of establishing a new company came from Mr. Laidlaw as an advice to me that it would be better to organize a new company because of the practical failure of the Provincial Trust Company.

Q.—Let us see whether we can put it in this form, if this is right; when you went to Mr. Laidlaw for the purpose of entrusting him with the negotiations for the purchase of the stock, his advice was that it would be better to establish a new corporation with an unwritten history than to purchase into a corporation which

had not been successful? A.—Yes, and then we found out that we could not get a new charter. After trying to get some charters in existence which were practically dead, we came back to the scheme of getting the Provincial Charter and changing its name.

Q.—That is wiping out its history?  
A.—Yes, so far as we were concerned.

Q.—And that was the genesis of what is now the Union Trust Company? A.—Yes.

Q.—I want to follow out your method of dealing with the matter. Mr. Laidlaw was entrusted with the negotiating for the purchase of stock?  
A.—Yes, to buy the stock.

(The Commission then adjourned to 2 p.m.)

#### AFTERNOON SESSION.

Resumed at 2 p.m., September 20th, 1906.

MR. SHEPLEY: It would perhaps be more convenient for all the persons concerned in the Commission if it were decided to-day whether we shall adjourn from Friday to Tuesday, or from Friday only till Monday. One of the gentlemen whom I expect to call within that time is very desirous of knowing so that he can arrange his appointments. I think it would be more convenient to adjourn as we did last week till Tuesday. I think by to-morrow night the proper time for adjourning for another witness will have arrived. I hope so. I dare say for Your Honors do realize that in this weather the work of those who are preparing for the Commission is exceedingly fatiguing.

JUDGE MacTAVISH: Yes, but we are hoping for a change of weather very soon.

MR. SHEPLEY: I will be willing to sit if Your Honor can assure us the weather will change.

JUDGE MacTAVISH: Unless there is some good reason for it I think we would prefer sitting on Monday and adjourning from Friday until Monday. Can you tell us how much of next week you intend to take with this Company?

MR. SHEPLEY: I think all of it.  
JUDGE MacTAVISH: Do you expect to get through?

MR. SHEPLEY: I hope and expect to be through, on the assumption that Your Honors have denied my suggestion about Monday?

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JUDGE MAC TAVISH: We had better have that understood.

Examination of Dr. ORONHYATE-KHA continued:

MR. SHEPLEY: I was asking you about negotiations for the acquisition of the Provincial Trust Company stock, and it would seem to follow from your last answer that the formation of the new company, or rather the changing of the name of the old company, and so securing a different organization would involve securing all the stock and not merely a controlling interest, was that the reason why the scheme developed into an acquisition of all the stock? A.—I do not think necessarily, as long as we got hold of a majority of the stock, but it was deemed better that in the organization we should have practically the whole of the stock so that we could dispose of it as we thought best for the Order.

Q.—Was any other person save Mr. Laidlaw concerned in the negotiations with the Provincial Corporation? A.—Oh no, just myself representing the Executive, Mr. Laidlaw as my advisor and the corporation. Of course Mr. Stevenson and I always consulted and I took his ideas of what to do, he being a lawyer.

Q.—And you were kept advised from time to time as to the progress the matter was making, I suppose? A.—Oh yes.

Q.—And it took some considerable time to get the stock into such hands as would enable it to be dealt with? A.—It took quite a considerable time to get it to a certain stage, and then there was an estate not settled, and it was represented to me that if we transferred and finished the business that estate might be taken out of our hands and not put into the re-organized corporation, and that it was better to let the matter stand until that estate was settled by the Provincial Company.

Q.—Before you actually closed the transaction? A.—Before the final close of the business.

Q.—Do you remember who was or were in control of the Provincial at that time, do you remember who the Manager was? A.—Mr. Rutherford.

Q.—You have furnished us with a certain file relating to that matter and I think it would be better to follow along with that. You furnished certain funds to Mr. Laidlaw to enable him to carry the transaction through? A.—Yes.

Q.—And so far as I am able to ascertain you gave him three sums of

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money, in February, 1901 \$25,000, in March, 1901 \$30,000, and in April 1901 \$25,067.50? A.—Yes.

Q.—And that was all the money that was handed over to Mr. Laidlaw for the purpose of carrying the transaction through, it appears to have been all? A.—All that is furnished you, the record, whatever the record shows that is the amount.

Q.—There is another sum of \$2,000 which is said to have been expended in the purchase of stock in December, 1900? A.—I fancy that was to qualify our representatives acting in the Provincial Corporation.

Q.—Do you remember who the holder of that stock was? A.—Myself or Mr. McGillivray or both.

Q.—It was I think, part 50 shares to yourself and 50 shares to Mr. McGillivray? A.—Yes.

Q.—And that \$2,000 was paid directly by the Order and not paid through Mr. Laidlaw? A.—I presume so.

Q.—So that that sum has to be added to the \$80,067.50 with which Mr. Laidlaw was entrusted? A.—Yes.

Q.—There is another entry in June, 1901 in your books and that I should like to have explained if I can have it, W. J. McMurtry, balance due on sale of Provincial stock held by McGillivray in trust for the I.O.F.? A.—I suppose it would be the stock given to McGillivray, which was not paid in full and that is the balance of it.

Q.—That is what you would suppose that to be? A.—Yes, I do not know anything about that only I am just giving my impressions.

Q.—You do not know from whom those shares were acquired? A.—No.

Q.—They seem to have been acquired much earlier in the transaction than any of the shares negotiated through Mr. Laidlaw? A.—I do not know anything about that.

Q.—That sum is \$587, making altogether a total of \$82,654.70? A.—Yes.

Q.—Then the stock was transferred, apparently, I do not suppose you will know about these details, but apparently at the time that you were approaching this company with a view to acquiring the stock there were between 90 and 100 shareholders scattered all over? A.—Yes.

Q.—You do not I suppose know how that was handled? A.—No, I dare say though Mr. Laidlaw must have made a report to us how we handled it.



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Q.—I will come to the reports you have furnished me with, but there is nothing in anything you have furnished me with that throws light upon what I am about to ask you, nearly the whole of this stock was transferred to Mr. Matthew Wilson, were you aware of that, and Mr. Matthew Wilson re-transferred it to those who were to hold for the company, that is for the Foresters? A.—I think I remember Mr. Wilson interposing.

Q.—In what capacity did he interpose, how did he come to have anything to do with it? A.—I could not tell you; I fancy it must have been represented to me, I think it was represented to me that it was necessary to transfer this stock to him in order that it might be properly distributed as we wanted it to be distributed in the new company.

Q.—Were you aware that it was—I should not put it affirmatively because it is my opinion—that it was he who really did all the negotiating in the way of getting the stockholders to transfer their stock? A.—No, I would not be competent to give any testimony on that; as a matter of fact my knowledge practically ended when I handed over the business to Laidlaw to carry it through, and any reports that were made after that were verbal reports of Mr. Laidlaw reporting to me the progress of the negotiations.

Q.—Then so that I may have it in a convenient form, there seem to have been in the hands of these 90 to 100 shareholders \$429,000 worth of stock in the Provincial, par value? A.—About that.

Q.—Of which \$113,700 had been paid and no more? A.—Yes.

Q.—And the stock itself seems to have been dealt with prior to your having anything to do with it in such a way that some of the stock was fully paid up, some had nothing paid on it, some was 25 per cent., some had 50 per cent. and some had more? A.—I could not give any evidence about that.

Q.—In the whole there seems to have been that number of shares with that total amount paid on account; then your idea was that the Provincial Trust Company should be reorganized and that its name should be changed? A.—Yes.

Q.—Were you aware that it was arranged with the Government that the charter of the Provincial should be surrendered? A.—Yes.

Q.—And that a new charter alto-

gether should be issued to the Union Trust? A.—Yes.

Q.—That is the new company should be formed? A.—Yes, it was concluded in the consultations with Mr. Laidlaw and Mr. McGillivray that it would be cheaper and a better way to get a new charter altogether than simply to take steps whatever were necessary to change the name of the Provincial, that was the method taken to change the name.

Q.—Do you remember how the objection to chartering another company was got over? A.—Just that arrangement.

Q.—By the arrangement for the surrender of the old? A.—Yes. I think I went with Mr. Laidlaw to the Member of the Government who had charge of the arrangements, if I remember rightly it was Mr. Stratton, and we gave an undertaking to him that as soon as the Provincial matter was closed up and transferred to the new company we would surrender the Provincial charter, and it was on that condition that we got a charter for the new Union Trust Company.

Q.—When you projected the Union Trust, when the matter had come to that stage, what was to be its composition so far as the management was concerned? A.—Mr. Foster was engaged as Manager.

Q.—Was that the first idea? A.—Yes.

Q.—Are you sure of that? A.—I think so.

Q.—Are you sure he was always intended to be the Manager? A.—Yes.

Q.—Was not Mr. McMurtry in contemplation for Manager? A.—No.

Q.—You do not accede to that? A.—No, and Judge McDougall, Lieutenant-Colonel Davidson, Mr. Wilson, myself, Mr. Stevenson and Mr. McGillivray I think were on the Board of Directors.

Q.—Then, I find among the papers as the first document given to me what purports to be an offer dated 19th November, 1900. It is without signature, and it is addressed to the shareholders of the Provincial Trust Company of Ontario, Limited, Toronto, do you know anything about that—it comes from your custody; it has not any signature? A.—Perhaps it is just an outline of what we were willing to do.

Q.—We will read that and see whether hearing it gives you any further recollection about it: "Dear Sirs: I hereby on behalf of myself and my associates propose to buy from all the

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shareholders or from a majority of the shareholders of the company their shares of the capital stock at a price," etc. (reads down to the words "in the usual form")? A.—Oh yes, I fancy that is the outline of the agreement advised us by Mr. Laidlaw, our counsel.

Q.—This "Myself and my associates" would be who? A.—The Executive of the Foresters.

Q.—Then Messrs. Clarkson & Cross were to value the assets if you could not agree about their value, and that value was to fix the price to be paid for the shares? A.—Yes.

Q.—And to be apportioned according to the amount paid on the shares? A.—Yes. That form might have been prepared by Mr. McGillivray to sign; I should imagine under the circumstances it was intended I should sign it.

Q.—It embodies what you were prepared to do with the shareholders of the Provincial? A.—Yes.

Q.—The second page of the document is headed: "Acceptance" (reads) (Document just referred to marked as Exhibit 458).

Q.—The Foresters found the money, the shares were to be transferred to the nominees of the Foresters, or the appointees of the Foresters? A.—Yes.

Q.—What was to be done with the assets of the Provincial Trust Corporation? A.—It would become the property of the Foresters of course, and I presume were transferred to the new Union Trust Company, but I am simply giving you a surmise.

Q.—You perhaps would assent to this, that it was intended from the beginning that the assets should go to the Union Trust Company? A.—Yes.

Q.—And that the Union Trust Company should pay for them in the end? A.—I presume so.

Q.—It was not intended that the Foresters should be out the money? A.—No.

Q.—And that then the Foresters controlling the organizing of the Provincial Trust Company it should surrender its charter and go out of existence? A.—Yes.

Q.—It took some considerable time to wind up the matter? A.—Yes.

Q.—And it was not until 1902 that the charter of the Provincial was surrendered? A.—Yes.

Q.—In the meantime the negotiations were going on and the transaction was being carried out as you understood it? A.—Yes.

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Q.—Here is a letter from Mr. Kappelé, that is Mr. Laidlaw's partner? A.—Yes.

Q.—To you of the 10th December, 1900. This will indicate the progress the matter was making: "This matter has been gradually running along for some time. The delay has been caused by the indecision of the Board as to what course they would adopt"—that means of course the Board of the Provincial? A.—Yes.

Q.—"The person active at the present time is Mr. James Scott, and he has expressed his willingness," etc. (reads down to the words "which speaks for itself")—that probably is the document I have just been reading? A.—Yes.

Q.—(Continues reading letter) "Mr. Scott" (reads balance of letter.)

Letter of 10th December, 1900, just read filed as Exhibit 459.

Q.—You have I have no doubt entirely understood what was referred to there as organization expenses being treated as an asset? A.—Yes.

Q.—That meant that the promoters of the Provincial who had been, as they said \$5,800 out of pocket, intended to get that back in addition to the real value of the assets? A.—Yes; my recollection is I objected to that arrangement entirely; I do not know whether my objections were considered or not.

Q.—Your objections beat them down, we will see how much after a little bit. That apparently is accompanied by a statement of assets and liabilities, and I take this to be it; it was furnished along with that letter; you perhaps recollect generally that the excess of liabilities over assets was shown at \$8,551.46? A.—No, at that stage I had unloaded all responsibility about it on my colleagues, Mr. McGillivray and Mr. Stevenson and they—

Q.—They were dealing with the matter? A.—They carried out—

Q.—They were dealing with the matter? A.—Of course they consulted me.

Q.—Here is a statement in Mr. Kappelé's letter: "The sufficiency of the securities is to be left for inspection, that is we are not asked to accept the loans, etc., as good security for \$82,000"—A.—I have no doubt that is correct, whatever it says; but I wanted to explain that I could not give as clear explanations about it as if I had continued in charge of the details.

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Q.—The assets, I want to just have this upon the records, as the position which the Provincial Trust Company was putting forward as its financial condition at this date, the cash in bank, \$15,618.12; cash in a trust account of the bank, to be transferred \$2,719.86; cash in the Western Bank, New York, \$308.93.

Q.—Cash in the office \$61.40, or a total of \$18,708.31. Then the item for loans, \$82,101.39, then office furniture \$573.75. Accrued rents of safe boxes \$116.50; organization expenses \$5,868.81. Assuming the loans to be good, assuming the office furniture to be good, assuming the accrued rent of safe boxes to be good, and assuming the cash on hand, that was all tangible assets except the organization expenses? A.—Yes.

Q.—Then as against that put liabilities to the public \$1,970.22, and to the shareholders, being amount of cash received for calls \$113,950, making an impairment of capital, adding those two together and subtracting the assets, including organization expenses, from the total, of \$8,551.46. Were you generally aware of the financial position of the Provincial company during these negotiations? A.—No, except they were in difficulties, their capital had been impaired to some extent, and they were wanting to get out of the business.

Statement of condition of Provincial Trust Company just referred to filed as Exhibit 460.

Q.—How did Mr. Foster's name come to be mentioned as prospective manager for the company? A.—We were discussing the subject, and when I say we, the Executive Council were discussing the subject, and I had one or two applications from gentlemen for the position, and finally somebody suggested to me that we might be able to secure Mr. Foster, and it struck me as a brilliant idea, and I put myself immediately in communication with Mr. Foster and finally obtained his assent to accept the position if it were offered to him.

Q.—Who do you think suggested the name? A.—I think it was Mr. Laidlaw, I would not be sure though.

Q.—Do you say you put yourself in communication with Mr. Foster? A.—Yes.

Q.—And you wrote him a letter, or did you see him? A.—I wrote him a letter, I would not be sure.

MR. SHEPLEY: (To Mr. Nesbitt) Do you appear for Mr. Foster?

MR. NESBITT: Yes.

MR. SHEPLEY: Have you the letter written some time before 30th April, 1901 by Dr. Oronhyatekha to Mr. Foster?

MR. NESBITT: I have not.

WITNESS: If there is no letter then it must be verbal communication, by an interview with Mr. Foster.

MR. SHEPLEY: I should be much obliged if any correspondence on the subject is looked up and brought forward.

Q.—I see among the papers furnished us on the 30th April, 1901, you have a letter addressed "My dear doctor," I suppose that is you and signed by Mr. Foster? A.—Very likely, he and I are old friends.

Q.—You might look at the letter and see, do you recognize it, because I have no doubt it is addressed to you? A.—Yes.

Q.—Ottawa April 30th, 1901, My dear doctor: The end of the month is well nigh come," etc. (reads). It was probably then as early as March that you spoke to Mr. Foster about it? A.—Yes.

Q.—(Continues reading letter): "But I cannot keep you longer waiting and will endeavor to give you a frank expression of my views," (reads down to the words "Loan & Trust Company")—that means the Union Trust Company? A.—Yes.

Q.—"I have thought carefully," etc. (reads down to the words "well established companies"). Was the first idea, following out what you have already told me, to re-place the Provincial with a company of about the same financial strength? A.—Yes, of course it would be very much stronger.

Q.—I mean the same capital? A.—With the I.O.F. behind it.

Q.—With the same capital? A.—About the same capital.

Q.—That was the first idea—that is the modest idea you first had? A.—I do not know that we considered that subject. The matter of capital regulated itself as we went on.

Q.—Your idea was not to pay so much attention to the capitalization as to making it an organ for the investment of the surplus funds of the Order? A.—Yes, that is right.

Q.—Then the letter proceeds: "The unfortunate history and present position of the Provincial Trust Company," etc. (reads down to the words "enlargement of the capital stock"). Is that the beginning of the development of the idea of a large capital



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stock? A.—Well, I do not so understand, that is the business advice that the prospective new manager gave us which I thought at the time was very sound, but it did not mix itself up in my brain with the idea with regard to the capital we would have; of course he says some things there.

Q.—What I am trying to get at is this, was Mr. Foster's suggestion made in this letter the inception of the idea of a large capital stock? A.—No sir; this idea developed as our business developed.

Q.—The business had not been acquired yet? A.—Oh well, we would not offer Mr. Foster or anybody else the management of a thing that was uncertain; if we had not actually the charter we knew we would get it.

Q.—You were not, as you have told me and I think every indication bears you out, at that time at all events looking forward to a very large capital stock in your new trust company? A.—I do not think we were, at any rate I was not certainly, because I was not acquainted with that sort of thing at that time.

Q.—The reason I ask you this is because that is the first trace I have been able to find anything on record of the idea of making a bigger company than the Provincial Trust Company had been; I want to know if that is so? A.—It is a very good idea; what I mean is that that letter did not inspire in us, and set us about to arrange for a larger capital. That came with the development of the business under Mr. Foster's management, and we all saw with him that we could do better with a larger capital, and we provided a larger capital.

Q.—You are speaking of one thing and I am speaking of another; you did increase your capital stock in the Union Trust Company after the original corporation? A.—Yes.

Q.—But when you originally incorporated you did not intend to become at that time so large a company as the capital you paid in made you originally? A.—Oh I do not suppose we did, and I do not suppose we had any idea that we would develop into a very large and important incorporation.

Q.—You remember the subject being mentioned as late as 1902, and I am reading now in 1901, at Los Angeles? A.—Yes.

Q.—And do you remember the amount mentioned there? A.—I think I mentioned \$500,000, which was then the capital of the Union Trust Company.

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Q.—I want to get, if I can, at the stage of the transaction in which the idea was first entertained of having a large capital stock, when I say large I mean much larger than had ever been paid into the Provincial? A.—Subsequent to that, I am sure of that, and due to the development of the operations of the company.

Q.—Mr. Foster seems to have had it clearly in his mind at that time at all events? A.—Yes.

Q.—Next as to business: "The new company should be in a position to guarantee for large investments a fixed low rate of interest," etc. (reads down to the words "in the interests of the new company"). That is the second suggestion, that the business of the company should be put upon a sound footing at once by itself being trusted with the funds of the Order at a fixed rate of interest. Up to that time had you thought of an arrangement of that sort with your new company, or had you thought of entrusting them with the money to make what they could out of it for you? A.—I think the matter had been discussed by Mr. Stevenson and myself.

Q.—Before this date? A.—Before that date, but no official action taken with regard to it, and when Mr. Foster's letter was laid before the Committee it was considered and it was thought to be for the Order a very good thing.

Q.—A very advantageous thing? A.—That the Union Trust Company should guarantee a rate of interest.

Q.—A fixed rate of 4 per cent.? A.—Yes, and give us after that in addition to that whatever profits the Trust Company made, our share, whatever the Union Trust Company might make.

Q.—In other words that was a good arrangement because you yourselves were the persons who were to profit out of the ultimate profits made by the Union Trust Company? A.—Quite so.

Q.—In the first place you got your 4 per cent. and then if the Trust Company made any more it would belong to you, because you were the owners of the company? A.—Yes.

Q.—What advantage did you see in that over and above or greater than handing your funds over and letting the Union Trust invest them and give them all directly back to you whatever they might be? A.—I think I referred to that this morning, that the foundation idea in forming a trust

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company of any kind was to get better men than we were to make our investments, that was our chief object.

Q.—Would not the better men than you were, if there were any, in the trust company, would not they do as well for you as they would for themselves, would not they have taken your funds and invested them, or could not they have taken your funds and invested them as judiciously for you as for their own advantage? A.—But the alternative was to get some competent financial man, create a new department in our system, and get a competent financial man to take charge of our investment. The Order had got altogether too large for Mr. McGillivray to attend to, his secretarial duties in connection with the Order and watch the investments sufficiently closely. It seemed to me that we had reached the period when we had to add a very large sum to our official expenditures by the creation of this new department and we concluded in the end it would be better to create a company through which our investments would be made and become entitled to the other profits which that company would make in the business, the trust work for instance.

Q.—You made that very clear to us this morning, and I am not fortunate enough to have made my meaning clear this afternoon, what I want to get at is this; why was it any more advantageous to you to make a 4 per cent. arrangement with the Trust Company than to hand them your funds and let them invest the best they could and give you whatever they make? A.—I understand you you could not make the stock of the Union Trust Company of any value except to us if we did not make the arrangement that we did, that men might take the shares and share in that profit made by the company and in which we would share also.

Q.—Was it in contemplation then that the public should come in and be owners of capital stock in the Union Trust Company? A.—Surely, it was a regular commercial company.

Q.—When did that idea die out, because that never happened, did it? A.—No, when we got hold of the company and found it was a big thing there would be no sense to hand it to you or anybody else.

Q.—Let me modify the question so as to meet that change of position, I do not mean improperly at all; as matters were after your policy became settled not to admit the public, as

matters were then was the 4 per cent. arrangement any better for you than the other arrangement would have been? A.—Of course not.

Q.—The letter proceeds: "If then arrangements can be made first for the establishment of a company distinct in name," etc. (reads rest of letter). Mr. Foster sums up the salient points of his letter just at the end, get rid of the antecedents of the Provincial Trust Company, make your company a strong one, and invest the surplus of your Order by means of the arrangement of a fixed rate? A.—Yes. Of course that matter had already been settled by the Executive and was the reason we were trying to form this company, and the other two I think are very sound.

Q.—Excepting the detail of handing it over at a fixed rate of interest? A.—Yes.

Letter of Mr. Foster's read, filed as Exhibit 461.

Q.—Then I see that by the 21st May matters had progressed sufficiently far for the owners of the Provincial Trust Company, that is the Foresters, to hold a meeting and to take up the matter of carrying out the arrangement with the Union Trust Company, and this was the notice signed by Mr. McMurtry, as Secretary of the Provincial Trust Company —Mr. McMurtry was one of your staff? A.—Yes.

Q.—And when you became the owners of the stock he became Secretary of the Provincial Trust Company? A.—Yes.

Q.—The notice is dated 21st May, 1901: "Meeting first of the Board of Directors, secondly the Executive Committee; thirdly adjourned meeting of the shareholders," (reads notice referred to which was filed as Exhibit 462).

Q.—Who was the President of the Provincial Trust after the Foresters got it? A.—I was.

Q.—What is the meaning of this: "To make calculations of the contribution to be made by the members of the Executive Committee under their guarantee to the new shareholders?" A.—The amount of the stock we subscribed I suppose.

Q.—This is the Provincial Trust Company, you know, "To make calculation of the contribution to be made by the members of the Executive Committee under their guarantee to the new shareholders?" A.—I do not know.

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Q.—Perhaps some one else can explain that; at that time apparently all the shares had not yet been transferred? A.—No.

Q.—That meeting was to be held on the 28th according to the notice as it was given, and I see that Mr. Foster wrote you again on the 27th May; that was received on the 28th and probably you had it before the meeting of the Provincial was held. This is dated "Ottawa, May 27th, 1901," and addressed to you. "I received a letter from Mr. Laidlaw informing me that he had completed the purchase?"—

MR. SHEPLEY: (To Mr. Nesbitt) Will you have that letter looked up?

MR. NESBITT: Very well.

MR. SHEPLEY: (Continues reading Mr. Foster's letter): "informing me that he had completed," etc. (reads down to the words "in this regard"). Then he makes suggestions, "First, the stronger we can make the financial basis of the company the better," etc. (reads). "Secondly, the fees and commissions for trustee and estate business," etc. (reads to end of letter).

Letter of Mr. Foster, dated 27th May, 1901, marked as Exhibit 463.

Q.—Apparently it was in contemplation as early as that that a Board of Directors should be constituted for the Trust Company? A.—Yes.

Q.—This seems to be the form of the agreement with the National Trust Company which was enclosed, that is not of importance but I want to keep the file complete as I got it? A.—Very well.

Form of agreement with the National Trust Company marked as Exhibit 463.

Q.—Then the next thing I find here in order of date is a letter from Mr. Laidlaw to you of the 6th June, 1901. At that time apparently, matters had become about right for handing over the assets of the Provincial to the Union Trust Company? A.—Yes.

Q.—The letter states "I had a meeting with the Hon. Mr. Foster to-day and we expect to take over all the assets of the Provincial Trust Company." (Reads letter). Then there is a reference to a gentleman who is unable to come on the Board of the Company and I pass that by. "I therefore had a conversation with him and Mr. Matthew Wilson about other members for our Board." I do not read that. Neither of the gentlemen mentioned in this paragraph went on the Board at that time. "I

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will be quite willing to enlarge the number of directors from 7 to 9 if we can induce the gentlemen named and perhaps another good man, to come on the Board." Then he encloses a draft letter for your consideration to be written to these gentlemen to induce them to come upon the Board. Did you ever send that letter? A.—No.

Q.—"I wish that you would make such changes in the letter as you may think desirable, sign it and return it." (Reads down to "and I will proceed with the new company as fast as possible".) (No answer.)

MR. SHEPLEY: I put that letter in, without making any reference to the name of the gentleman who did not come on to the Board. (Exhibit 464.)

Q.—Now the Union Trust Company had been incorporated on the 7th August and that is the next date to which I come in following the matter chronologically. That will go upon the record and be verified, if necessary, and it was then in a position to take over these assets, and on the 2nd of September the Supreme Court of the Foresters entered into an agreement with the Union Trust Company which I have here. You remember that agreement? A.—Yes.

Q.—Let us see if you will assent to this. On the first application for incorporation of the Union Trust Company the petition asked to have a capital stock of one million dollars? A.—Yes, that is correct.

Q.—The signers of that petition were yourself, Mr. Collins, Mr. Millman, Mr. Stephenson and Mr. McGillivray? A.—Yes.

Q.—Then before the letters patent actually issued there was a supplemental petition asking that the capital stock should be \$2,000,000 instead of \$1,000,000? A.—Yes.

Q.—And the petitioners for that were yourself, \$196,000, and Mr. Collins \$1,000, Mr. Millman, \$1,000, Mr. McDougall, \$1,000—that was the late Judge McDougall? A.—Yes.

Q.—Col. Davidson \$1,000, G. E. Foster \$1,000, E. G. Stephenson \$1,000, J. A. McGillivray \$1,000, and Matthew Wilson \$1,000? A.—Yes.

Q.—Of these, how many were shareholders not holding their shares in trust for the I.O.F.? A.—Mr. Foster, Mr. McDougall, Colonel Davidson and Matthew Wilson.

Q.—Mr. Foster, Judge McDougall, Colonel Davidson, and Matthew Wilson? A.—Yes.



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Q.—These gentlemen, I take it, paid for their stocks, did they? A.—Yes.

Q.—They paid their own money for their shares? A.—Yes.

Q.—And the balance of the stock was held by those who held it in trust for the I.O.F.? A.—Yes, that is right.

Q.—And it has always been so? A.—Yes.

Q.—Well, then do you remember when the Union Trust Company actually opened its doors for business? A.—Very soon after the date to which you refer.

Q.—Very soon after the 7th August 1901? A.—Yes. There was a certain action withheld to complete the organization of the Union Trust Company, until after the Supreme Court had approved of the scheme, which would be at the Los Angeles Session.

Q.—That would be in 1902? A.—Yes.

Q.—And then Mr. Hunter tells me, that this agreement which bears date 2nd September, 1901, was in fact dated back so as to cover the period from the time when the Union Trust Company commenced business? A.—Yes, I know there was something of that kind done.

Q.—Then this agreement when it came to be made became operative from the beginning of the business of the Union Trust Company? A.—I suppose so.

Q.—We will read this agreement, It is made between the Supreme Court of the I.O.F. hereinafter called the Supreme Court of the first part and the Union Trust Company, Ltd., hereinafter called the Trust Company of the second part. "Whereas the Supreme Court of the I.O.F. has been incorporated and established under an Act of the Imperial Parliament of Canada, 52, Chap. 102, and amendments thereto." (Reads down to the words "the same may be invested by the Supreme Court"), as possible and if it was delayed beyond a certain date, you were to be at liberty to take your funds back and invest them yourself? A.—Yes.

Q.—(Reads paragraph 3, down to "awaiting re-investment.") That is you were to get 4 per cent. after the money had come out, even though? A.—Right along.

Q.—Until you finally called in the money? A.—Yes.

Q.—The 4th paragraph states "the securities upon which the monies shall be invested from time to time (reads) I should ask you in respect of the

funds handed over under this agreement, was that position observed, that the funds were invested in the name of the Supreme Court or do you know how that was? A.—Yes.

Q.—You say you believe it to have been so? A.—Yes.

Q.—The 5th paragraph, "a proper system of bookkeeping and accounting shall be opened and established." (Reads down to the words "appointed by competent authority.") You were securing investigation and the examination of all the investments which the Trust Company might make? A.—Yes.

Q.—And you were securing that to the Department of Insurance?

MR. NESBITT: You say all the investments of the company. If by that you mean all the investments of the Company—

MR. SHEPLEY: The clause reads "and all the dealings and transactions of the Trust Company in relation to the management of the said company?" A.—The investigation to be made by us or by the Superintendent of Insurance.

Q.—"Shall at all times be open for inspection by the Executive Council of the Supreme Court." (reads). A.—Yes.

Q.—You were going to secure the investigation of all the investments made under the terms of this agreement? A.—I think that is what it means.

Q.—Then there is a provision with regard to the Trust Company maintaining insurance on trust property which I need not read. Then comes a provision which may, perhaps, have some importance, "If at any time after the expiration of 10 years from the date hereof and from time to time at intervals thereafter of not less than 5 years the Trust Company shall be of the opinion that the said rate of 4 per cent. per annum is too high" (reads down to the words "hereby secured.") That is in respect of existing investments on hand in your own Order? A.—Yes.

Q.—They might have the management of them then, if you handed them over to them? A.—Yes.

Q.—As a matter of fact did you do that—hand over existing securities? A.—No, I cannot answer that question.

Q.—"And it is further agreed between the Supreme Court and the Trust Company that the remuneration of the Trust Company for the said collection of principal and inter-

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est, etc., shall be one-half of one per cent. per annum on the average amount of principal secured by the said securities during each year" and "then upon the collection of principal and interest the Trust Company is to deposit the interest so collected." (reads Exhibit 465.) Then this is a copy of the document prepared by the solicitors for the Trust Company Kappel and Bicknell, the original of which seems to have been under the seal of the Union Trust Company and signed by the Late Judge McDougall and Mr. Foster, General Manager. You remember what the purpose of this was? A.—No, if you give me the substance of it I might be able to tell you.

Q.—This gives, I take it an accurate account of the shareholding immediately after the incorporation? A.—No, I have no personal knowledge of it.

Q.—It is headed "The Union Trust Company, Limited, authorized capital \$2,000,000." That would be after the petition asking to increase the capital from \$1,000,000 to \$2,000,000? A.—Yes.

Q.—"This certifies that the shares of the Union Trust Company, Limited were subscribed as follows," (Reads) I think you have already told me all those shares belong to the Foresters' beneficiaries, except 4? A.—Yes.

Q.—That is Mr. Foster's shares, Colonel Davidson's shares, and Mr. Matthew Wilson's shares, and Judge McDougall's shares? A.—Yes.

Q.—Indeed the certificate goes on to say that "All the shares of capital stock except the shares subscribed by these 4 were subscribed for on behalf of and in trust for the Supreme Court of the I.O.F." (Reads). Mr. Wilson bought his shares from the trustees? A.—Yes.

(Certificate Exhibit 466.)

Q.—Then, returning to the affairs of the Provincial which have been dragging along and which have not yet been closed out, I come in order of date next to a letter or copy of a letter from Laidlaw, Kappel and Bicknell to Foster of the 5th April, 1902, written to Mr. Foster as General Manager of the Union Trust Company: "Dear Mr. Foster, in re Provincial Trust and Union Trust Company. We wish to ask the directors to pass a resolution at the meeting to-day to the following effect." (Reads letter.)

Q.—Now, just let me ask you whether or not the officers of the Provincial Trust Company, the new Pro-

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vincial Trust Company which had not yet been wound up, were identical with the officers of the Union Trust Company? A.—No.

Q.—They were not? A.—No.

Q.—Then this seems to have been a letter asking for a resolution to be passed by the directors of the Provincial Trust Company? A.—I am not sure as to that point, whether the officers of the new Provincial Company were not the same as the officers of the Union Trust Company, my impression is that they were not. I may be wrong in that.

Q.—I do not think they were, as a matter of fact; perhaps it may have been just a slip making the wrong Board to pass a resolution? A.—Yes.

Q.—Then on the 18th April there is a letter which is of importance from Mr. Laidlaw to yourself. Now, Mr. Laidlaw had been commissioned by you to buy the shares of the Provincial? A.—Yes.

Q.—Let us get the bearings again, because there is danger of losing sight of them; the Foresters were purchasing the stock of the Provincial? A.—Yes.

Q.—The Provincial was to hand over all its assets to the Union Trust Company? A.—Yes.

Q.—And the Union Trust Company, presumably, though you have not yet committed yourself to that, the Union, presumably, was to indemnify the Foresters in respect of the obligation or the money they paid out to the Provincial? A.—Yes.

Q.—This seems to be a report from Mr. Laidlaw to you giving an account of his stewardship for the Foresters dated 18th April, 1902. It is addressed to you as Supreme Chief Ranger. "In the matter of the Provincial Trust Company," (Reads). Your protest at all events got the amount reduced to \$2,500? A.—Yes.

Q.—What were the accruing commissions? I am told that was the commission which the Provincial Trust Company were to receive in respect of the business it was doing in various estates? A.—I could not tell you.

Q.—At all events that would be an asset if that were so? A.—Yes.

Q.—Total assets \$99,540.42. Then the liabilities to the public, a large number of them are in respect of the various estates that they had in hand, and so on. "Leaving a surplus of assets over liabilities, but always including organization ex-

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penses, of \$73,215.73." Then Mr. Laidlaw goes on to certify "I examined and verified the account of assets and liabilities" (reads). Then the letter enclosed is a letter from Mr. Mercen to Mr. Laidlaw. He is spoken of in Mr. Laidlaw's letter to you as being the accountant for the Union.

MR. TILLEY: For the Provincial, I think it should be.

MR. TILLEY: It says "Accountant for the Union." (Reads letter Exhibit 467.) That letter is to explain why we had not yet arranged finally for the transfer? A.—Yes sir.

Q.—Then I see that there is something that I might very well have referred to when I was referring to the agreement between the Foresters and the Union Trust Company. This seems to be a letter which you addressed to Mr. Foster on the 22nd April, 1902, when returning the copy of the agreement. You were then in Chicago? A.—Yes.

Q.—And sent him the agreement from Chicago? A.—Yes.

Q.—Now we understand why the agreement was dated back the previous September? A.—Yes.

Q.—(Reads letter). You were taking precautions? A.—Surely.

Q.—Why? A.—In the first place we had the same system in the executive, that one man should not be empowered to transact important business, and we thought it would be safer to have the same rule established in the Union Trust Company, just as a safeguard to the interests of the Order.

Q.—If Mr. Hunter will follow I will make the statement about these papers. These are papers from the Provincial Secretary's Office connected with the surrender of the Charter of the Provincial, and there is only one thing I want to read, I think, and that is the petition for the surrender. The petition for the surrender of the charter is dated the 30th June, 1902. Apparently Mr. Foster was the Manager of the Provincial then, because he signs this petition as Manager? A.—That is the old Provincial.

Q.—Yes, surrendering its charter—the new Board of the old Provincial? A.—Yes.

Q.—This is addressed to the Lieut.-Governor and is the petition of the Provincial Trust Company of Ontario. It sets out the incorporation. It sets out that the paid up capital was \$113,700. It sets out that the Union Trust Company, Limited, was incor-

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porated on the 7th August, 1901, to acquire and take over the assets, business and goodwill of the petitioners, and that the petitioners have sold, assigned and transferred all their assets, business and goodwill to the Union Trust Company. That all the liabilities have been paid in full, that the shareholders of your petitioners have accepted the obligations of the Union Trust Company to allot to them stock in respect of the assets so transferred by your petitioners to the said Union Trust Company, Limited. Your petitioners have now no assets whatever. Your petitioners have no liabilities either to the public or to the shareholders of your petitioners, and the shareholders have unanimously passed a resolution that the charter should be surrendered. Then the proof of advertisement, and the prayer that the petitioners as a body corporate may be dissolved as upon and from the 30th June, 1902? A.—Yes.

MR. SHEPLEY: I am not putting in these papers. The affidavit accompanying the petition is made by Mr. Foster, that he is the Manager of the Provincial Trust Company and that the several allegations contained in the annexed petition are true in substance and in fact, and then there is a statement of affairs under the seal of the Provincial Trust Company saying there are no assets and no liabilities. That is all I think I desire from these papers.

Q.—If you are not able to answer a question or two which I will put to you there is no reason why you should not get it from anybody else who has the information. We make out that out of the sum of \$82,654.50 which altogether you paid out of the funds of the Foresters for the Provincial Trust stock, you have received from the Union Trust Company \$50,000 and no more. You received in the first place a sum of \$50,000?

MR. HUNTER: No, that is not right.

MR. SHEPLEY: Then we will have to see that it is made right.

MR. HUNTER: There are other sums received in cash in addition to that.

MR. SHEPLEY: \$50,000 received from the Union Trust Company. On the 31st September, 1903, \$50,000 was paid by the Union Trust Company to the Foresters on account of \$82,654.50. Then, on the 31st December, 1905, if you will follow me, please, a further



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sum of \$3,035.83 appears to have been paid by the Union Trust Company to the Foresters?

MR. HUNTER: Yes.

MR. SHEPLEY: That leaves a balance of \$29,618.57?

MR. HUNTER: Yes.

MR. SHEPLEY: Q.—Then, I find that in your Return to the Department for the year 1903 you carry down as an asset this item, "Assets of Provincial Trust Company, Account Value \$29,618.57." That being the same sum of money? A.—Yes.

Q.—Can you explain that at all, or should I get it from somebody else, or can you ascertain it from somebody else who is present? A.—That I am informed and I believe correctly—was the value placed upon the remaining assets of the old Provincial Trust Company, including some very bad investment they made in Belleville, some iron company, I think it was.

Q.—What concern had the Foresters with that? The Union Trust Company were the people who took over these assets? A.—Quite so, but the Union Trust Company consented to place these valuations on the remaining assets of the Provincial and counted them as an asset in these accounts.

Q.—We are speaking of two things. I carried you over the matter a moment ago, so that it would be clear in your mind, and you must not mind if I seem a little tedious about it? A.—And you must not mind if I seem a little stupid.

Q.—The Union Trust Company were to get all the assets? A.—Yes.

Q.—The Foresters paid for the assets out of the Foresters' money? A.—Yes.

Q.—And the Foresters were entitled to be indemnified by the Union Trust Company when they got the money?

MR. HUNTER: The Union was to realise on the assets and turn over the money to the Foresters, whatever they got out of the assets, that would not be indemnifying.

MR. SHEPLEY: Is there any arrangement in writing or otherwise to which one could refer?

MR. HUNTER: These assets were taken as part of the cash subscription.

MR. SHEPLEY: But the Foresters had paid \$82,000 for these assets?

WITNESS: Yes.

Q.—Or rather for the stock? A.—Yes.

Q.—Then the Foresters got the stock, but the assets had gone to the

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Union Trust Company. I have just been reading from the papers? A.—I do not doubt your statement at all. The assets and business and goodwill were all transferred to the Union Trust Company.

Q.—Thereupon one would have thought, unless there was some agreement to the contrary, it became the business of the Union Trust Company to pay back to the Foresters the money they had paid out? A.—That is as I understand it.

Q.—That would be a transaction one could understand? A.—Yes.

Q.—Apparently \$29,000 odd at the end of 1903, which was a year and a half afterwards— A.—Yes.

Q.—Was still being carried by the Foresters? A.—I understand that is the fact, that the old Provincial Trust Company had some bad assets which they could not realize on right away, and that it was being held with a view to its being realized upon and then paid over to the Union Trust Company.

Q.—I would accept that in a moment, if it was being carried by the Union Trust Company, because they were the people that got the assets, but I am trying to find out why the Foresters should be under that burden? A.—That I could not tell you.

Q.—That you are not able to explain? A.—I suppose it was a matter of bookkeeping.

Q.—The Foresters are out that money, and cannot get a copper of interest on it? A.—They cannot get it until the Provincial Trust Company's assets are realized upon, as I understand it.

Q.—That depends upon what your bargain was with the Union Trust. Is there any minute or memo or agreement upon it?

MR. HUNTER: Never that I have found.

MR. SHEPLEY: Q.—Since then two further sums have been paid; so that on the 31st December, 1904 a further sum of \$3,524.39 was paid and on the 18th December, 1905, \$5,881.54; that leaves a balance which is carried down into the Blue Book for 1905 still as an asset under the same name, of \$20,212.74? A.—Does not the agreement which you were asking me about a moment ago between the Union Trust and ourselves, cover the point about the whole of the assets of the Provincial requiring to be transferred?

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Q.—No. Every document we have, from Mr. Laidlaw's Report down to the affidavits filed in the Provincial Secretary's Department speak of the matter as a transfer of the assets of the Provincial to the Union Trust Company? A.—Yes.

Q.—And the Provincial says "We have no assets now and no debts; we do not own anything and do not owe anything. The Union Trust Company have got everything." If the Union Trust were carrying it I could understand. I want to know why your Order has been put to that burden? A.—I cannot tell you.

Q.—It seems to be a very unproductive asset? A.—It does seem so. I would not be surprised if it was in the end an unproductive asset.

Q.—Then one other subject before we rise for the day and I will try to be brief about it— A.—I will make inquiries about this point, and if I get any additional light I will let you have it to-morrow.

Q.—You were quite aware that in addition to the moneys that you handed over for investment under the 4 per cent. agreement, to the Union Trust Company, you had, to the extent shown by the certificate which we have referred to, handed over your funds by way of capital stock, to the Union? A.—Yes.

Q.—And can you tell me at what figure you took up the stock? It was at a premium? A.—\$110 I think.

Q.—You paid \$110 to the Union Trust Company for every \$100 worth of stock you were allotted? A.—Yes.

Q.—Then subsequently you, or the Union Trust Company, applied to increase its capital stock still further? A.—Yes.

Q.—And to increase it by another \$500,000? A.—Yes.

Q.—How was that stock taken up? Who took that up? A.—We took it up ourselves.

Q.—Was it taken up just in the same proportions as to beneficial enjoyment and ownership as the original \$2,000,000? A.—I do not think so. I think we took the whole of that ourselves. We took the whole of the \$500,000 ourselves.

Q.—At what figures did you take that stock? A.—I suppose at \$110.

Q.—That added \$550,000 to the amount that you had put in originally which was \$2,200,000, less the 40 shares? A.—Yes.

Q.—You have now a very large sum of money at stake in the Union Trust Company? A.—Yes.

Q.—I think I am speaking correctly when I say you have not anywhere upon the Minutes any direct authority for purchasing the stock—I mean any direct authority so far as your writings are concerned—to take up or purchase stock in the Union Trust Company? A.—Perhaps not.

Q.—You would answer me at once that it had been before the Supreme Court and recognized and ratified? A.—No, I do not think so, but I think that the Executive agreed to increase the capital stock when it was represented to them—

Q.—I am speaking just as much of the original investment as I am of the increase of capital stock. I have not been able to find in your Minutes anything, for instance, like this, that we authorize the Supreme Ranger or anyone else acting for the I. O.F. to take up stock in the Union Trust Company? A.—No, I do not think so. I think the principle of the formation of the Union Trust Company was only affirmed at the Los Angeles Session; unless the \$500,000 was mentioned, but the stock increases I do not think you will find in the Minutes of the Supreme Court.

Q.—What I say is that you will probably give me the answer—and I do not deny the validity of the answer—that the matter has been considered in the Supreme Court and whatever original infirmity there may have been in the matter it has been removed by ratification? A.—Certainly.

Q.—But what I am interested in pointing out is that you entered on this enormous transaction—I call it enormous, because it is without a shred of written authority either from the Executive Council or from any other body? A.—That may be correct, but I think that the agreement with the Union Trust Company we had created was not executed until we had the authority of the Supreme Court.

Q.—But you had loaded them up with money for their capital stock long before that? A.—Oh surely.

Q.—And it is that that I am speaking of, your investment in the capital stock? A.—Yes.

Q.—Mr. Hunter is saying—and I do not wish anybody to suppose that I am overlooking it—that their stock in the Union Trust Company has been considerably diminished. I intend to go fully into that transaction, but I am trying to take it in the order of its date. You were very

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careful in the agreement between yourselves and the Union Trust Company in respect to the 4 per cent. investments they were to make of your surplus, you were very careful to provide that there should be no investment of that money otherwise than you were authorized yourselves to invest? A.—Yes. We could not enter into a legal agreement, it seems to me of that kind, owing to the fact that there was a limitation to our powers of investment, and if we had exceeded those powers we were liable to be called to account by the Insurance Department, and we took these measures to prevent any encroachment upon our legal authority to invest.

Q.—That is an admirable answer. You have, of course, no control either contractual or otherwise, in respect of what they do with capital stock? A.—No.

Q.—With the moneys that are paid in for their capital stock? A.—No, except through our directors and shareholders.

Q.—I mean the Foresters? A.—Yes.

Q.—There is no obligation, contractual or otherwise, upon the Union Trust Company as to what investments it will make with these \$2,500,000 of Foresters' money? A.—No.

Q.—And there never has been? A.—No, except as I say through having a representation on the directorate, myself, Mr. Stephenson and Mr. McGillivray, I do not think that the other directors would have undertaken anything that we said "this ought not to be;" so that in that way we had control.

Q.—Perhaps you will tell me this; in the Board of the Union Trust Company has there ever been any basis of discussion as to investment founded upon the Insurance Act at all? A.—No, I do not think so.

Q.—The Insurance Act does not cut any figure in the investments they have made with their own money A.—Oh, I think I have asked that question myself of the lawyers here, have we the authority to make this investment?

Q.—You mean has the Union Trust Company the authority? A.—Yes, I think that is what I asked in the Board.

Q.—Have you ever heard this question asked, Is this particular investment an investment which the Insurance Act authorizes or allows? A.—Well, of course it would mean that.

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Q.—Oh, no? A.—When I say, Have we the authority—

Q.—Unless the Union Trust Company are precisely the same as the Foresters in their powers—and you do not suggest that they are— A.—Or rather the Union Trust Company powers were not limited as the powers of the Foresters.

Q.—That is what I mean? A.—That is correct.

Q.—And when you have been discussing investments to be made by the Union Trust Companies out of its own moneys, you have never made the Insurance Act the basis of your discussion? A.—Oh no, just the laws and the laws which created the Union Trust Company were the laws, I should think to be consulted when we were about to make an investment. Is it in accordance with these powers?

Q.—Well, then, of course you see, speaking broadly, and not wanting to carry the question beyond just a broad statement, you see, of course, that you have put your money into the Union Trust Company where it may go into channels of investment not authorized by your own Statute? A.—Oh, surely.

Q.—What changes have there been in the private stockholding in the Union Trust Company since the original incorporation? A.—That I could not tell you.

Q.—You were quite clear that the four gentlemen named paid for their stock out of their own money? A.—I so understand it; it would be a great surprise to me if I find it is not so.

Q.—I notice that upon the death of Judge McDougall somebody else succeeded him upon the Board? A.—Yes.

Q.—That was the Chancellor of Ontario? A.—Yes.

Q.—Sir John Boyd? A.—Yes.

Q.—How did he qualify? A.—By buying ten shares of stock.

Q.—From whom? A.—I could not tell you that.

Q.—You do not know how that was? A.—No.

Q.—Can that be ascertained for me? A.—Yes I think so.

Q.—I wish you would find that out, whether that was a purchase by the Chancellor of Judge McDougall's stock, or whether it was a purchase by him directly from the Foresters of some trust stock?

MR. SHEPLEY states: It is stated to me, and I accept the statement,



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that the Chancellor bought Judge McDougall's stock.

Q.—I see that Hon. Mr. Ross is now a shareholder also? A.—Yes.

Q.—How did he become a shareholder? A.—Buying stock.

Q.—He bought his from the company? A.—I presume so.

Q.—Or from the Foresters? A.—Yes.

Q.—At present Mr. Wilson, Mr. Ross, Mr. Foster, Col. Davidson, and the Chancellor to the extent of ten shares each, or 50 shares in all, are holders in their own right? A.—Yes.

Q.—And not trustees—before the new purchasers I should have said? A.—Yes.

Q.—Then there are some minutes which I have lost sight of. I see there was a minute of resolution on the 13th July, 1901, authorizing the contract about the four per cent. investment? A.—Yes.

Q.—That was specially authorized by resolution of the Executive Council? A.—I believe so.

Q.—On the 12th October, 1901, the Supreme Physician was authorized by resolution of the Executive Council to cast the vote upon the stock of the Union Trust Company held by the Order at the approaching meeting of the stockholders thereof—that is Dr. Millman? A.—Yes.

Q.—That is he was made a proxy for the shares held in the company by the Order? A.—Yes, and I think the reason of that was that myself and Mr. Stephenson had to be away and could not be present at that meeting, probably attending some High Court meeting.

Q.—And the only other resolution that I refer to is a resolution made upon your suggestion that the Union Trust Company should take charge of the Temple Building? A.—Yes.

Q.—And did the Union Trust Company take charge of it? A.—Yes.

Q.—And it has been in charge of it ever since? A.—Yes.

Q.—Then the Union Trust Company up to the transaction which took place a few months ago when Mr. DuVerne and his associates appeared upon the scene, has occupied four positions: first, it has been the child of the Foresters, the Foresters have owned practically all the stock? A.—Yes.

Q.—Secondly, it has been investing the surplus funds on a four per cent. arrangement? A.—Yes.

Q.—Thirdly, it has been taking care of investments which were made before that arrangement was made by the Foresters themselves? A.—Yes.

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MR. HUNTER: It has been only in charge of some of them.

MR. SHEPLEY: Yes; and fourth, it has been in charge of the Temple Building? A.—Yes.

The Commission adjourned at 4.30 p.m. Thursday September 20th to Friday September 21st at 10.30 a.m.

## SEVENTY-FIRST DAY.

### MORNING SESSION.

Toronto, Friday, Sept. 21, 1906.

Examination of DR. ORONHYATEKHA continued:

WITNESS: Will you allow me to put this in? I dare say it is very irregular but I overlooked it altogether. It is just with reference to lapses, showing that if you apply the lapses our rates are equal to the National Fraternal Congress rates.

Q.—I will read the document. This is something which ranges itself under our discussion as to the effect, of lapses? A.—Yes.

Q.—“Yearly premium payable in monthly instalments for life policy according to National Fraternal Congress table of mortality and 4 per cent. interest and I.O.F. secession rate, 1900 to 1905 (premium to cease at age 70, and 5 per cent. loading added for expenses). Then the ages are 20, 35 and 50? A.—Yes.

Q.—The National Fraternal Congress table and the I.O.F. secession rate at 4 per cent., at those ages the rates are respectively \$9.61, \$16.33, \$34.40, and your present rates are \$9.60 or one cent difference, \$16.56, or 23 cents difference? A.—In our favor.

Q.—Yes, and \$34.80, or 40 cents in your favor? A.—Yes.

Q.—You had this compiled? A.—Yes, it was compiled by an actuary.

Statement just read marked as exhibit 469.

Q.—You are, of course, not misunderstanding us at all, we are putting these in, and we intend if we find it necessary to subject them to criticism hereafter? A.—Surely, but I am anxious that the Commission should have everything connected with this question, because it is, I think, the crucial thing.

Q.—In your scheme of insurance? A.—Yes.

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Q.—Or one of the crucial things?  
A.—Yes.

Q.—You cannot put Forestry into one crux. Then, I suppose, there has hardly been time for you to have prepared a statement of the Temple Cafe expenses? A.—I think we have it. (Produces.)

Q.—This is the Temple Cafe debit balances charged off into supply account, July 31st, 1899, to January 31st, 1902—those were the years during which the Cafe was in operation? A.—Yes.

Q.—In 1899 \$8,441.30 was written off, in 1900, \$17,436.28; in 1901, \$15,318.46, and in 1902, \$191.50, or a total of \$41,387.54, that is financial loss involved in that enterprise? A.—Yes.

Q.—Besides, possibly, some loss of prestige? A.—I do not think we lost anything in prestige. I think everybody understood that the Cafe was established simply to popularize the Temple and our offices. I was told, you will permit me to say, by one of the Insurance Commissioners who came to examine, when I talked to him about the Cafe he said that was all right.

Q.—What do you mean by one of the Insurance Commissioners? A.—From the United States who came from time to time to examine.

Q.—For the purpose of making reports to their State Governments? A.—

Yes, and he said the Equitable had such a cafe in its New York office, and it was the most profitable part of their assets, and it was said to us repeatedly that if we would permit the sale of liquors in connection with the Cafe there was no doubt we would make an immense profit, and the stand of the Executive was this, that if we lost immense sums by not having the liquor and we were assured we could make a tremendous profit by having the liquor there, not a drop of liquor would be allowed to be sold in connection with the Cafe.

Q.—One feels always more safe in prophesying when he is looking back than in prophesying looking forward, but I suppose you might have gone further and have said if you made a loss you would shut up? A.—Oh surely.

Q.—And if you made a loss that would demonstrate you were not attaining the object of the Cafe, which was popularizing? A.—I think the Temple Building was popularized to a certain extent by the Cafe, and we could rent our rooms better by having

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the Cafe there, but when we found that after a fair trial the Cafe could not be maintained except at a loss to the Order we shut it up.

Q.—There is another statement you have in your hand? A.—That is just simply a statement of the rentals of the Temple Building, I suppose that might go in in some other place.

Q.—Your rentals had reached a satisfactory stage when you dropped the Cafe? A.—Yes.

Q.—And they have receded since? A.—No.

Statement of rentals of Temple Building attached to statement of debit balances of the Temple Cafe, and together marked as Exhibit 470.

Q.—There are some further papers in connection with your dealings with the Provincial Trust, which have been found, as I understand from Mr. Hunter, and he has been good enough to let us have them, and there are some of them which seem to throw some additional light upon the transactions we were discussing. I see in the first place that as far back as 1899, October 25th, Mr. McGillivray was a shareholder in the Provincial Trust Company of Ontario? A.—Oh yes.

Q.—That was before there was any move upon your minutes for the acquisition of the stock? A.—Yes.

Q.—Did he go into that with a view to the movement which you afterwards made toward obtaining control? A.—Oh no; he went in to watch our interest.

Q.—In what sense are you speaking of your interest, how were you interested then? A.—I fancy we were, for instance they were our tenants and I am not sure but that they had some of our money to invest.

Q.—You may have been investing through them? A.—Yes, I am not sure of that.

Q.—And Mr. McGillivray took this stock so as to be able to look after your interest in the Provincial Trust Company? A.—Yes.

Evidence of stockholding in Provincial Trust Company marked Exhibit 471.

Q.—Then there are some further letters here which I do not think are of such great consequence to take up time with just now, and there is some correspondence between Mr. Laidlaw and Mr. Wilson of Chatham, which I think material to put in. You were not aware when I was questioning you yesterday of Mr. Wilson's posi-

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tion in the course of those negotiations you told us? A.—No sir.

Q.—And perhaps you have not become aware of it since except in so far as you have been informed of the contents of this correspondence? A.—Just so.

Q.—We will just see what the correspondence does disclose? A.—I trusted Mr. Laidlaw wholly in the negotiations.

Q.—The first document is a letter from Mr. Laidlaw to Mr. Wilson of the 25th February, 1901, and that letter is couched in these terms: "I have at the request of intending purchasers examined the provisions of the charter and the list of assets of the Provincial Trust Company, and I may say to you in confidence that I think," etc. (reads letter down to the words "guarantee for the investment"—that refers to the Executive Committee of the Provincial Trust Company, which was to guarantee the investments if they were to be taken over? A.—That is a letter from Mr. Laidlaw to Mr. Wilson?

Q.—Yes? A.—Yes.

Q.—And it would seem to indicate that Mr. Wilson—perhaps you know that as a matter of fact—was a man who had something to say about the policy of the Provincial? A.—The old Provincial, yes.

Q.—Perhaps you know he was upon the Board of the old Provincial? A.—No, I did not, I knew he represented apparently the interests of the old Provincial in the negotiations.

Q.—In other words he was acting for the vendors and Mr. Laidlaw for the purchasers of the shares and the assets? A.—Yes.

Q.—The next letter is—we have not the report from the Executive Committee that is referred to in it, but the letter itself is from Mr. Laidlaw to Mr. Wilson, and it is 26th February, 1901: "I have considered your report from the Executive Committee," etc. (reads whole of letter including postscript). Then the next letter is also from Mr. Laidlaw to Mr. Wilson, and it is of the 27th February—we have only one side of the correspondence, but we have to take what we can get—"I concur with you," etc. (reads whole of letter). I want to see whether you will give your assent to that, that looks as though Mr. Wilson was expected to endeavor to get the shareholders of his company to sell to the clients of Mr. Laidlaw at the rate of 65 cents upon the dollar all or a majority at least of the stock? A.—Yes.

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Q.—And Mr. Laidlaw is putting to his credit \$25,000 no doubt out of the funds you had supplied him with? A.—Yes.

Q.—The next document is—do you know Mr. Wilson's handwriting? A.—I think I would recognize it.

Q.—Is that Mr. Wilson's handwriting at the foot of it? A.—Yes.

Q.—This is addressed to William Laidlaw and the Provincial Trust Company of Ontario, Limited, and dated 27th February: "In pursuance of the negotiations," etc. (reads whole of first page). Then is put a summary of the account which dovetails in with the account we saw yesterday sent to you by Mr. Laidlaw. (Continues reading the document). That is signed by Mr. John Flett, James Scott, J. A. McGillivray and John R. Barber, and it is marked approved by Mr. Laidlaw. On the same day Mr. Laidlaw writes to Mr. Wilson: "My clients understand that I personally undertake that in consideration of your promise," etc.—Mr. Laidlaw says there "My clients understand," were you aware that Mr. Wilson of the Provincial was to be paid \$1,000 by you? A.—No.

Q.—Here is a receipt from Mr. Wilson of the 27th February for the sum of \$25,000: "I acknowledge I received from you the cheque of your firm for the sum of \$25,000," etc. (reads). Then there is a statement of assets and liabilities dated 26th January, 1901, of the Provincial Trust Company; perhaps you have not any knowledge of that? A.—No.

Q.—Then there is a statement of interest accrued and then there is a statement of the safe deposit department, and that is the end of that particular stage of the matter.

(Bundle of correspondence and documents referred to filed as Exhibit 472).

Then on the 12th March, 1901, we have a letter from Mr. Wilson to Mr. Laidlaw as follows: "I have yours of the 11th inst.," etc. (reads letter down to the words "before closing the matter.") I suppose that means strong statements from the shareholders when it is suggested to them to sell stock at 65 cents on the dollar that they thought was gilt-edged? A.—I presume so.

Q.—(Continues reading letter). "As Mr. McGillivray suggested," that I take it refers to his paying for the stock as he goes, being now sure he is going to get a majority instead of just taking options? A.—Yes.



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Q.—(Continues reading letter) "Writing essays about loan companies"—do you know what that reference is to? A.—To his writing to his intending sellers explaining the conditions under which the thing was being put through, and saying why he ought to sell.

Q.—Writing persuasive essays upon the subject? A.—Yes.

Q.—4th April, Mr. Wilson to Mr. Laidlaw: "The amount of stock to be got in is \$113,950," etc. (reads down to the words "balance of \$25,-067.50," that corresponds with the three payments made by you to Mr. Laidlaw? A.—Yes.

Q.—So that upon the receipt of this letter apparently Mr. Laidlaw has gone about and got the exact amount? A.—Quite so.

Q.—"This arises from the fact," etc. (Continues reading letter). Then the last letter is a letter from Mr. Laidlaw to Mr. McGillivray, 27th August, 1901, that is the letter about the meeting of the Provincial Directors, that is the new company, the Union Trust Company? A.—Yes.

The three last letters read made part of Exhibit 472.

Q.—This document is furnished as an account of the dealings of Mr. Laidlaw, your accredited agent, with the funds that you furnished him with. That I understand you have probably never seen although you heard of it last night? A.—Yes.

Q.—An account made up at the time but never yet read? A.—After a certain stage of the negotiations for the purchase of the interests of the old Provincial Company the business was handed over to Mr. McGillivray, and after that of course I am acquainted with the details only in a general way.

Q.—Perhaps you would like to know just how the account does stand? A.—Well, as ancient history I suppose it would be interesting to me.

Q.—Would you like to know whether there is anything coming to the Foresters? A.—I do not think it would do any good now to burden my brain with details of that kind, still however if you would like to tell me in a way I should like to know.

Q.—Well, the final balance is a balance against you of \$52.08? A.—Well, if we came out as well as that I ought not to grumble.

Q.—I see Mr. Laidlaw has deducted his own charge amounting altogether to \$7,600 besides expenses, and he has deducted \$360 paid to Mr. Wilson besides the thousand dollars?

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A.—Lawyers generally get all that is allowable, and sometimes a little more.

MR. HUNTER: That is a credit of \$52.08?

MR. SHEPLEY: Yes, Mr. Laidlaw has \$52.08 in his hands belonging to you on the face of the statement? A.—That is a very gratifying piece of information; it is more than I expected.

Q.—You told me you were not aware during the progress of these negotiations that Mr. Wilson was being rewarded for acting for the Provincial Trust Company, rewarded out of the funds of the Foresters? A.—Certainly not.

—Statement of Mr. Laidlaw's dealings just referred to marked as Exhibit 473.

Q.—I suppose the amount of the charges of your own agent or solicitor never was discussed? A.—No. Yesterday you asked me about the Union Trust Company being entrusted with our investments.

Q.—Yes? A.—I think I did not make myself clear in the answers to you as to the real condition of things, I mean on our old investments, whether they had the management of that or not. I am advised that there are some three millions of the old investments which are in our hands and not being managed by the Union Trust Company.

Q.—That would be probably the great bulk of investments you had on hand at that time? A.—I presume so, yes; although we have a certain amount of current revenue at our disposal to invest.

MR. SHEPLEY: Mr. Tilley will ask the doctor some questions about the Temple Building.

MR. TILLEY: You spoke of the assets that are still in your possession not turned over to the Union Trust Company? A.—Yes.

Q.—Do you handle those in any way through a bank? A.—I don't think so.

Q.—There seem to be payments shown in your items of expense made to the Standard Bank amounting to a regular sum of \$3,500 a year? A.—I suppose that is the commutation of their commissions.

Q.—Made a lump sum of \$3,500 a year? A.—Yes.

Q.—Without charging specific items against specific cheques? A.—Quite so, exchanges and cheques.

Q.—Do you remember now the date when you first decided to erect the

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Temple Building? A.—I presume about 1894 or 1895.

Q.—Was that decided at a Supreme Court meeting? A.—No, it was decided by the Executive, and then the plans were submitted to the Supreme Court at its London session, and it was endorsed by the Supreme Court. The record at the Supreme Court meeting in London is as follows: "Your Committee desire to place on record their approval of the scheme adopted by the Executive Council for the purpose of providing permanent and suitable offices for the use of the Supreme Court at the headquarters of the Order in the beautiful city of Toronto, in the Province of Ontario. Your Committee also express their approval of the site and plans selected by the Executive Council, and we feel assured that the securing of permanent fire-proof offices for the headquarters of the Order with all necessary accommodation and modern appliances and conveniences will be found greatly to the interest and advantage of the Order;" and that report was adopted.

Q.—What was the date of that report? A.—10th August, 1895.

Q.—Had you at that time bought any land for the purpose of erecting a building? A.—Yes.

Q.—You had already made a purchase of a portion of the property? A.—Yes.

Q.—You remember what power of holding land you had in 1895? A.—\$100,000 I think.

Q.—That would be under the Act of 1889? A.—Yes.

Q.—Under section 4 of that Act: "The value of the real property which the Society or any branch thereof may hold shall not exceed in the case of the Society \$100,000, in the case of any branch \$25,000, but in towns," and so on. So that the limitation was \$100,000 for any head office building? A.—Yes.

Q.—Then in 1896 by the Act that you had passed in that year the limitation as to real property was changed, and section 4 was made to read: "The value of the real property which the Society or any branch thereof may hold shall not exceed in the case of the Society \$350,000," and then it goes on as to branches, so that the increase in 1896 was from \$100,000 to \$350,000? A.—That is right.

Q.—Was it expected at that time that \$350,000 would be sufficient to cover the value of the land and the buildings? A.—No, sir.

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Q.—What was the expectation then? A.—As to the full cost?

Q.—As to the full cost, yes? A.—That it would be between \$700,000 and \$800,000, and we tried to get authority for that.

Q.—The Bill that you presented to Parliament was for a larger holding? A.—To cover our whole cost of the Temple Building.

Q.—It was based on the principle of the annual value of the land rather than the total aggregate value of the land? A.—Not at the time.

Q.—Subsequently it was? A.—That was in the 1901 session, and we based it upon that. Mr. Hunter advises me that the Bill introduced was upon that principle—certain annual value.

Q.—That was the principle that was adopted in the Act of 1901? A.—I remember that now distinctly, because Mr. Laidlaw was with me in interviewing the Insurance Superintendent. The Superintendent objected to make it that way and Mr. Laidlaw pulled out the statutes and showed the Commissioner that the Canada Life had—

Q.—Was based upon that principle? A.—Yes.

Q.—So that that was in 1896? A.—Yes.

Q.—Then in 1901 in the Act of that year relating to the Foresters, section 45 was again changed to bring it into accord with that principle? A.—Just so.

Q.—"The value of the real property which the Society or any branch thereof may hold shall not exceed in the case of the Society, in the whole at any one time, the value of \$30,000?" A.—That is right.

Q.—And then it goes on to provide the capital value for branches? A.—Yes.

Q.—Having decided that the building to be erected with the land would be of a value over, say \$700,000, and your power to invest in land and buildings being only \$100,000 originally, what did you decide to do in order to put up the building and not violate the Act? A.—We did not decide on anything; we just went right on with the building.

Q.—You just went right on with the building? A.—Yes, expecting at some future date that Parliament would get wiser and give us the power to hold our property here.

Q.—You decided to go on and get legislation later making it right? A.—Quite so.

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Q.—Then the first purchase that you made seemed to have covered a parcel of land about 85 feet on Richmond street west and running north, I think originally it ran north to Queen street, did it not? A.—No, the original purchase was simply to cover the Temple Building.

Q.—That would be 107 feet it ran north from Richmond street? A.—Yes. We subsequently purchased the lots in rear of that, to go right through to Queen street.

Q.—But the original purchase was made in January, 1895? A.—Yes, about 85 feet front on Richmond St. by 107 feet deep.

Q.—By 107 feet 9 inches deep? A.—Yes.

Q.—Do you remember that that was conveyed to Miss Jennie Bailey? A.—Yes.

Q.—Then she would hold that as a trustee for the Order? A.—Oh yes.

Q.—She was connected with the Order at that time? A.—She was my private secretary. Would you allow me to explain how that occurred?

Q.—Certainly? A.—When the broker came to me—we were looking for sites—he said: “There is a lot of land that will go into the market next month, and I think I can get it for you at a snap bargain, but you must not buy it in your own name, or Mr. McGillivray’s name, or the name of the Order; you must give me the name of some person unknown.”

Q.—You must not buy it in your own name? A.—Yes, that is what he said.

Q.—That is to say the Independent Order of Foresters must not be known in the transaction? A.—Exactly. If my name was mentioned, and Mr. McGillivray’s, probably the price would be run away up, and I said to the broker, “Well, I will try and get somebody to act for us.” My secretary was sitting in the room, and he said, “Why that young lady will do.” And when I asked her if she would lend us her name she said certainly if I wanted it, and in that way her name became connected with the purchase.

Q.—Then that would indicate that you had some broker looking for an appropriate and suitable site for you before that? A.—The broker had been acting for us previously, and he came to me voluntarily to inform me of the sale of this property.

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Q.—Was that the only location where you bought property with the intention of using it for the head office building? A.—Yes, but then we were looking at the old Temperance Building, and some negotiations were going on to build it where the Saturday Night building is now.

Q.—But these negotiations never resulted in a purchase being made to carry it out? A.—Oh no.

Q.—The only purchase was at the present site? A.—Yes.

Q.—Then the agreement you say for the purchase of that land was made with Miss Bailey for the reason given by the broker? A.—Yes.

Q.—Had you in your mind then anything as to the provision of the Insurance Act with respect to value? A.—Oh no.

Q.—You were not thinking of that at all? A.—No.

Q.—There was no connection between the limitation of your power under the Insurance Act and the conveyance to Miss Bailey? A.—None whatever.

Q.—Then an agreement having been made in that way, the conveyance followed the terms of the agreement and was made to Miss Bailey? A.—Certainly.

Q.—For \$9,500? A.—Yes, I think it was that amount.

Q.—That was the exact purchase price? A.—Yes.

Q.—The moneys being payable directly out of the funds of the Order? A.—Oh yes.

Q.—Then shortly afterwards, I think in March, 1895, you bought the corner, do you remember? A.—Yes, very shortly afterwards.

Q.—March, 1895? A.—Yes.

Q.—The corner had 40 feet on Bay street by 55 on Richmond street? A.—Yes.

Q.—That conveyance was again taken in the name of Miss Bailey? A.—I am not sure about that.

Q.—Well, that is the fact? A.—I presume it is so.

Q.—Do you know whether that was for the same reason? A.—Oh no, it would not be for the same reason; it would not be for the reason to avoid competition. In the first place we bought the property, which was in Chancery I believe, which was at any rate in the hands of the Court, and the Court gave an Order to sell, an order to distribute among the heirs, and there might have been quite a



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competition, but the other was bought from the Freehold.

Q.—Freehold Loan Company? A.—Yes.

Q.—Then at the time you bought from the Freehold Loan Company was it known that the property was really for the Foresters? A.—Oh yes.

Q.—At that time that was known? A.—Yes, and Mr. Wood charged a very high price for it at first, and then I bought the property in rear of our property through to Queen Street. I knew that the price asked was a price upon which we could make a profit almost immediately after, and then I used that property to operate on Mr. Wood, to bring his price down to a reasonable price, because I really wanted to get to Bay Street and not to Queen Street, and my recollection is that we traded after that.

Q.—You made an exchange of the north part of your property for property of the Freehold Company on Bay Street? A.—Yes.

Q.—And thereby that brought you out to Bay Street? A.—Yes.

Q.—Then if it was known that the Foresters were the real purchasers, and the negotiations were carried on by you direct, as I would assume from what you say, what object was there in transferring the second parcel to Miss Bailey's name? A.—Why simply that she was holding the first parcel yet.

Q.—And you proposed to make the title common? A.—Yes.

Q.—There was no thought then of the Insurance Act? A.—Oh no. In those days we were not you see under direct supervision of the Insurance Department.

Q.—Quite so? A.—It was prior to the Act of 1896.

Q.—Before the Act of 1896 there was no investigation? A.—We were not under the immediate control of the Insurance Department, and we did just as we pleased.

Q.—Possibly you have since too? A.—Oh no, we have obeyed the Act.

Q.—Then on the 27th May, following the purchase of the two properties, Miss Bailey mortgaged both properties to the I.O.F., do you remember that? A.—No,—oh yes, that would be—

Q.—For \$200,000? A.—Yes.

Q.—The buildings would be then started? A.—I presume so.

Q.—And that would be for the purpose of giving the I.O.F. a direct claim on the property for the money it had paid? A.—I presume so.

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Q.—So that the whole amount at risk would not be there standing in Miss Bailey's name by the I.O.F.? A.—Quite so. Our lawyer—Mr. McGillivray and the lawyers—managed the thing after I had purchased.

Q.—Possibly without your knowing it or appreciating it, the transaction was put in that way so that the I.O.F. would be mortgagee of the property rather than owner? A.—Yes.

Q.—Having regard to the terms of its Act? A.—Perhaps so.

Q.—That might be without your appreciating it? A.—Oh I trusted my lawyers.

Q.—Mr. McGillivray might have decided on that? A.—I always trusted my lawyers.

Q.—That is quite proper. A.—Yes.

Q.—Then the purchase was made of the property to the north of the corner piece, carrying you up some 65½ feet further on Bay Street, after the mortgage— A.—I presume that is the property we call the Annex.

Q.—The Cafe property do you mean? A.—Yes.

Q.—Oh no, that was purchased some time later? A.—That was the property—there was only one property, because the Queen Street properties are two lots and came right down to the rear of our building, but in the transaction with Mr. Wood, the Hon. S. C. Wood of the Freehold, I succeeded in securing a 20 foot piece in the rear of our property as a light-hole.

Q.—When you say in the rear of your property you mean to the north? A.—Yes.

Q.—North of the 85 foot property? A.—Yes, we bought the whole of that lot through to Queen Street, and we sold, or rather we traded, and we reserved a 20 foot lease to reach—

Q.—To make a light-well? A.—Yes.

Q.—Then in connection with that exchange was the transaction where you got the additional land running up Bay? A.—Yes, that is the property I mean that we traded.

Q.—On the 24th April, 1896, you got one parcel, and on the 24th April, 1896, by a separate conveyance you got another parcel? A.—Yes.

Q.—Making two additional parcels up Bay Street which carried you 105½ feet up Bay from the corner of Richmond? A.—Yes.

Q.—And gave you a depth of about 140 feet? A.—Yes.

Q.—Along Richmond? A.—Yes.

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Q.—Those additional purchases from the Freehold on Bay Street were made again in Miss Bailey's name as late as the 24th April, 1896? A.—Yes.

Q.—After the mortgage for \$200,000, which was the 27th May, 1895, a year later? A.—Yes.

Q.—Apparently after getting all the property you wanted at that time on Queen Street, Miss Bailey conveyed to the I. O. F. on the 30th April, 1896, the 85-foot parcel on Richmond Street, the corner lot, 40 by 55, and then the two additional parcels that you got by exchange in 1896? A.—Yes.

Q.—That conveyance from Miss Bailey to the Independent Order of Foresters was completed on the 30th April, 1896, the Act increasing the amount of real estate you could hold having been passed and assented to on the 23rd of April, 1896? A.—Yes.

Q.—So apparently within a week after the Order had power to hold land up to \$350,000, you had a conveyance made by Miss Bailey to the Foresters? A.—Yes.

Q.—Of the four parcels of land? A.—Yes.

Q.—Then you remember the Ontario Realty Company being formed? A.—Yes.

Q.—Why was it formed? A.—Well, we had \$700,000 or \$800,000 of realty right here, and the Act instead of giving us what we asked for, which would have covered all our holdings here, only gave us one-half, \$350,000, and we formed a realty company, somebody I think said to me one time, to evade the Act; we formed the company to comply with the Act, to bring our holding—

Q.—To reduce your holding to what the Act allowed? A.—Yes.

Q.—That is to say, having taken the conveyance from Miss Bailey of the whole of the land, then you proposed to put the title to part of the land in an independent company? A.—Yes, to bring our own holding within the Act at that time.

Q.—Was the Realty Company formed entirely by persons in the Independent Order of Foresters? A.—Yes. What I mean by that, it was composed entirely of friends upon whom we could rely, chiefly I think our officers.

Q.—All the parties were officers, I think, in the Independent Order of Foresters? A.—Yes, we took no risks about it.

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Q.—And they held the stock that stood in their names as trustees practically for the Independent Order of Foresters? A.—I presume so.

Q.—That is to say it was a subsidiary company entirely of the Independent Order of Foresters? A.—Yes.

Q.—When it was formed was it your intention to have that company own any other lands than a portion of the head office building? A.—Oh no.

Q.—It was not intended to in any way use the charter for any other purpose? A.—Oh no, simply to—

Q.—The holding of the company? A.—Simply to give us fighting position, in case anybody prosecuted us for holding more land than we ought to have.

Q.—The company was incorporated I think under the Provincial Act? A.—I daresay.

Q.—A limited liability company? A.—Yes.

Q.—Then do you remember what you conveyed to the Realty Company? A.—Oh it must have been an undivided half of our—

Q.—An undivided two-fifths interest? A.—Yes.

Q.—In all the property that Miss Bailey had conveyed to the I. O. F.? A.—Yes.

Q.—I suppose at that time being greatly enhanced by the buildings that were on it? A.—Yes.

Q.—Do you remember to what extent they were completed on the 23rd December, 1897, when the Ontario Realty Company took part? A.—Oh the buildings were completed as they stand now.

Q.—Then the value that was placed on the undivided share of the Ontario Realty Company was \$24,000? A.—Yes. I do not know the exact figures. That would be about correct, I should imagine.

Q.—That would place the whole at about \$207,000? A.—I think in the meantime we had scaled on the buildings by command of the Supreme Court, so as to bring ourselves within the Act. Their order was to scale the building down to \$350,000 or get new legislation.

Q.—Where is that referred to? A.—It was on a motion of Mr. Stephenson.

Q.—You are referring now to the minute of the Supreme Court Meeting? A.—Yes.

Q.—Held at Toronto in 1897? A.—1898.

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Q.—And it is given at page 32 of the printed Minutes. The motion was made by Mr. Elliott G. Stephenson, supported by John A. McGillivray, and resolved that the Executive Council be and is authorized to obtain any further legislation that may be deemed necessary or expedient to confirm, if need be, the action of the Executive in the conclusion and completion of the Temple Building, costing about \$700,000 as opened and dedicated during the present Session of the Supreme Court, or if the Executive Council shall not find it necessary to secure such additional legislation confirming such action, and shall deem it wise so to do, that they be authorized to appropriate any balance in the Contingent Fund, or that shall accumulate therein from any year, to reduce the amount so invested in the Temple Building to an amount not less than \$350,000, and be it therefore resolved that the Executive Council be and is authorized to apply for and secure any additional legislation necessary or expedient to make the same conform to the action taken by this body during its present Session. Carried unanimously.

MR. HUNTER: The word "conclusion" in the resolution should really be "construction."

WITNESS: "Construction" would be a better word.

MR. TILLEY: Q.—That resolution was passed in 1898? A.—At the Toronto Session.

Q.—So that it was after you had the legislation authorizing you "to hold the \$350,000?" A.—Yes.

Q.—And the intention of that resolution was to get within the Act, either by improving the legislation or by reducing the value of the building? A.—Yes, that is so.

Q.—And at that time the building stood partly in the Ontario Realty and partly in the I.O.F.? A.—Yes.

Q.—Was there any criticism of that method of dealing with the property at that time? A.—By the Supreme Court?

Q.—Yes? A.—Oh no. When we explained the object of it they thoroughly approved of our method.

Q.—Of your having done it? A.—Yes.

Q.—But decided to change it, nevertheless? A.—Well, decided to remove that anomalous condition as soon as possible, and in pursuance of its orders, I think the next year or two we scaled the building down by some \$200,000, and would have con-

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tinued that until we reached \$350,000.

Q.—If you had not got the legislation? A.—If we had not got the legislation.

Q.—Then on the same day that the conveyance was made to the Ontario Realty Company, that Company gave a mortgage back to the I.O.F. for the sum of \$240,000? A.—Quite so.

Q.—So that the I.O.F. then were owners of three fifths of the land and buildings and mortgages of the remaining two-fifths? A.—That is right—fully protected.

Q.—For the full amount that the Ontario Realty Company was supposed to have paid the I.O.F. for the two-fifths interest? A.—Yes.

Q.—Then that gives the chain of title to the building proper, but besides that you got the annex? A.—Yes.

Q.—When did you decide to acquire that? A.—When we were threatened with an action for having built on the property of some other company, a portion of our building.

Q.—That is some person owning adjoining land claimed that you were trespassers? A.—Yes, and the ground of our trespass was that they had an old coal shed, which leaned some 2 feet, I think it was, and on that ground they claimed that some two feet of our property was on their property, and when I learned that the Supreme Secretary recollected that building, I came to the conclusion that I had better buy the suit off, altogether.

Q.—So that to that extent it was forced upon you? A.—Yes.

Q.—You thought it was a business settlement of a dispute with the adjoining owners? A.—Yes. You know what a law suit will amount to, etc. Of course there was the idea also that we could get the property at a value which would be quite reasonable, and upon which the Society would probably make a profit in the long run.

Q.—That property was conveyed to Mr. Hunter, your Solicitor, at \$11,300 on the 15th January, 1898? A.—That came about in this way; I made the negotiations direct, and the vendors were away up in the air about the price, and afterwards I instructed Mr. Hunter, who was my solicitor, to see whether he could get the property for less than I was asked to pay, and as a matter of fact we did get it for very much less.

Q.—You found you were being held up as to price? A.—Held up.



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Q.—And Mr. Hunter then took up the transaction as a rank outsider? A.—As a friend of mine.

Q.—But an undisclosed friend? A.—As you say, a rank outsider.

Q.—And the result of his negotiation was an improvement in the price? A.—Oh, decidedly.

Q.—Then the conveyance to Mr. Hunter was not brought about by any condition of your legislation as to holding land at that time. It was merely carrying through the transaction according to the agreement which he had signed? A.—Yes.

Q.—It remained in Mr. Hunter's name from the 15th January, 1898, until after your new Act was passed in 1901? A.—It was not safe to transfer the property over to us because of its increasing the amount of our holding powers probably beyond the Act, after deducting the holding of the Realty Company.

Q.—You were too near the margin allowed you by the Act of 1896? A.—Yes.

Q.—So that while it may not have been taken originally in his name on account of his name, it was allowed to remain in his name for that reason? A.—Quite so.

Q.—And then you put through that transaction in the same way as the other, by taking a mortgage from Mr. Hunter to the I.O.F.? A.—That is right, to insure the I.O.F.

Q.—To show its name on the register of title, I suppose? A.—Yes.

Q.—Then you erected a building on that property? A.—Yes.

Q.—Apparently that would be in the year 1898, that that was done? A.—I presume so, the year that we decided to experiment upon the cafe.

Q.—That would appear to be so, because at the end of the year 1898, or on the 15th of November of that year, at any rate. Mr. Hunter gave a new mortgage for \$20,000, and the old mortgage was discharged in December? A.—Yes.

Q.—That is to say, the value of that piece of property having been improved by the building, the I.O.F. took security for a larger amount? A.—Yes.

Q.—Then on the 16th April, 1901, the Act of that year having been assented to on the 15th April, 1901, the day after the assent was given, you took a conveyance from the Ontario Realty Company of the share that had been nominally standing in his name? A.—Yes.

Q.—And brought the whole Temple

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Building property under the direct title of the I.O.F.? A.—Yes.

Q.—And then the month following Mr. Hunter transferred the parcel of land that was standing in his name also to the Order? A.—Quite so. Then I think I took immediate steps to secure the title to all this property by the I.O.F. by the Land Titles Act.

Q.—Apparently after that was done, in order to get yourselves a perfect title, you applied to have it brought under the Land Titles System? A.—Yes.

Q.—I suppose partly, was it by reason of any question that may have arisen as to your right to acquire when you did acquire the property? A.—I think it was just simply to vest all this property absolutely with the I.O.F.—legally vest it. All sorts of things had been circulated by reason of the original purchase having been made in Miss Bailey's name, and by reason of the fact that Mr. Hunter had bought this property, and I wanted to make it clear to the Order that everything had been done in the interests of the Order, and as soon as possible the whole property was vested in the Order as absolutely as we could make it.

Q.—And it would follow, I think, from what you have said, that there was no profit in any of these transactions to any of the parties in whose name the land stood at any time? A.—Oh no.

Q.—The payments out and the receipts, I suppose, were always made directly to the I.O.F.? A.—Oh yes.

Q.—Then Mr. Hunter refers to the building, or rather the Temple Building property, which is given in the Supreme Court Minutes— A.—In my Report, I think, to the Los Angeles Session I incorporated the whole history of the Temple Building.

Q.—At pages 52 to 56, commencing with picture of the building and then giving a complete history of the title? A.—Of all the transactions.

Q.—And ending with the certificate of the Master of Titles that the I.O.F. was the absolute owner of all the property? A.—Yes, I want to make it very clear that Mr. Hunter did all these things upon what I pay him as my solicitor, and he did not get a penny of profit.

Q.—Mr. Hunter is so modest he does not want you to say anything about that? A.—I know that.

Q.—That was all without any special payment to Mr. Hunter for his part in the transaction? A.—Yes.

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Q.—And there was no compensation to Miss Bailey for the use of her name? A.—We paid her \$1,000.

Q.—When was that done? A.—Oh, away back.

Q.—For the use of her name? A.—Yes.

Q.—Was that payment shown as a direct payment by the I.O.F. to her? A.—Oh, I think so. Her name was bandied about in public that she was my private secretary, and she was making a fortune through me, out of the position, and the Executive deemed that the use of her name, which probably saved the Order thousands of dollars, in connection with the bandying about of her name, which was exceedingly disagreeable to her, the thousand dollars were not a penny too much to pay her as a recognition for what she had suffered and for what she had saved the Order.

Q.—Having got the name of having got some money, you thought you would give her a little of the benefit of it? A.—Yes.

Q.—The deed from Miss Bailey to the I.O.F. recites a consideration of \$1,000? A.—I was not aware of it.

Q.—The deed itself recites that consideration, and that is the time the money was paid? A.—Yes.

Q.—And the money consideration would be an exact record of the real consideration? A.—Well, I was not aware that that was done.

Q.—I was assuming before that that was probably a nominal consideration? A.—If it had been \$2,000 it would not have been one penny too much.

Q.—Then were any of the officers of the I.O.F. who were shareholders or officers in the Realty Company paid anything? A.—Not a penny.

Q.—For the use of their name? A.—Not a penny.

Q.—Were they given any remuneration as officers? A.—Not a penny.

Q.—Their holding of stock was paid for by the I.O.F., and when the transaction was through the Charter was abandoned? A.—Re-conveyed the property to the I.O.F.

Q.—I suppose I can say that by notice to the Department that the Charter powers were not being exercised? A.—I do not know what steps were being taken.

MR. TILLEY: I will put in an exhibit showing the total cost of the Temple Building, including land, \$951,509.49; the amount written off in December, 1899, was \$92,880.68; in 1900 \$144,177.99. The total amount written off being \$237,058.67, leaving

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the value as it stands now on the books \$714,450.82.

JUDGE MacTAVISH: That is the land and building? A.—Both Temple Building proper and the annex.

JUDGE MacTAVISH: The amount returned as the value at the end of that time.

MR. TILLEY: Yes.

(Exhibit 474.)

(The Commission adjourned till 2 o'clock.)

#### AFTERNOON SESSION.

Resumed at 2 p.m. September 21, 1906.

Examination of DR. ORONHYATEKHA continued:

MR. SHEPLEY: Coming back to your dealings with the Union Trust Company a time came when it was deemed advisable by the Executive Council to part with some of your holdings in the Union Trust Company? A.—I do not think we parted with much of it.

Q.—I am speaking of the recent transaction? A.—Oh yes.

Q.—I am approaching that time now? A.—Very well.

Q.—Tell me, please, in some detail and as fully as possible what the circumstances were which led up to the resolution which I am going to point to with regard to disposing of some of that stock? A.—The chief cause was the action of the New Hampshire Insurance Commissioner. The former Commissioner had cancelled our license. He tried to force us to apply for license as an assessment insurance company. He said that we were not recognized as a fraternal society in Canada, and that he thought we were an assessment insurance company and he wanted me to apply for license under that law in New Hampshire.

Q.—Under the assessment clauses of the New Hampshire law? A.—Yes, and I refused to do it and he cancelled our license.

Q.—I thought that yesterday, or perhaps the day before you had pointed me to the circumstance you had obtained here the status of a fraternal society so that you could be certified to be that? A.—So we had.

Q.—So that notwithstanding the status you acquired here the New Hampshire Commissioner took this position? A.—No, prior to that, but I knew that he intended to shut us out of New Hampshire and there was necessity of going back to him even

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after we got that legislation recognizing us specifically as being a fraternal benefit society here, and the new Commissioner came in and we tried to have our license renewed by the new Commissioner. The objection he raised was the Union Trust Company.

Q.—When was it that the new Insurance Commissioner raised this objection? A.—December 1905, I understand.

Q.—You were then applying for a license? A.—Yes.

Q.—That is a license to continue in the State of New Hampshire your business as a friendly society? A.—Yes, to be re-licensed; we had been doing that business.

Q.—He did not put forward the same objection that the old Commissioner had put forward, that is that you were not a fraternal society? A.—No.

Q.—Did he put forward a different objection? A.—Just so, and in addition to that of course was the anticipation that a law would be passed in the United States to bar us out on account of having control of a subsidiary company.

Q.—Is there any correspondence between yourself and the New Hampshire Commissioner upon the former of these two subjects? A.—I think there must be.

Q.—As to your having the subsidiary Union Trust Company, an objection by the new Commissioner? A.—Yes.

Q.—That perhaps you will be good enough to let me have so that I may examine it to-morrow in the intermission? A.—Very well.

Q.—In the meantime speaking generally perhaps you can tell us in what form and upon what grounds his objection was put? A.—Just simply that we had the Union Trust Company under our control.

Q.—Why did he complain of that as an objectionable feature? A.—I do not know.

Q.—He did not state any grounds? A.—No, at least when I say no, I never saw the correspondence. When I got home I found these were the conditions under which we stood with regard to New Hampshire.

Q.—Then the correspondence will probably show that just as it is? A.—Oh surely.

Q.—Then with regard to the other matter you spoke of, the probability of a law being passed in the United States with regard to insurance com-

panies having the control of subsidiary corporations? A.—Yes.

Q.—What legislation have you in mind? A.—Nothing whatever except the anticipated legislation. The stand that the New Hampshire Commissioner took would get abroad among the Insurance Commissioners of the United States, and every adverse Commissioner of Insurance would probably do the same thing.

Q.—That is you expected the New Hampshire example might be followed in other States. A.—Quite so.

Q.—And that the result would be you would find yourselves in difficulties? A.—Yes.

Q.—Was there any other matter lying behind the resolutions of the Executive Council? A.—Not with the Executive Council.

Q.—With you? A.—Yes, there were some private matters that I would not like to disclose, because I am not certain about it to-day.

Q.—You mean they are matters personal to yourself or matters personal to some others? A.—In reference to the management of the Union Trust.

Q.—I do not know that I should be able to excuse you from answering in the end, but I will pass it over at present? A.—I don't think you ought to ask me to give private opinions about which I have not concluded myself.

Q.—At present I am inclined to agree with you but I must not accept that at once without reflection? A.—All right.

Q.—I am not going to ask you now to say; were there any considerations other than private considerations besides those you have named? A.—No, I do not think so.

Q.—The date of the action of the Executive was 9th April, 1906? A.—Yes, immediately after I got home from abroad.

Q.—Had any of the proceedings taken before this Insurance Commission anything to do with the action of the Executive Council? A.—Oh no.

Q.—You had been I dare say, had you not, following the proceedings of the Commission? A.—I do not think they had taken any proceedings; when I got home I found a Commission had been appointed.

Q.—By April 9th had they taken proceedings? A.—It was not reported to me.

Q.—You were not then aware there had been proceedings before the



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Royal Commission in which dealings of insurance companies with subsidiary corporations had been criticized? A.—No, that had nothing to do with the determination for us to get rid of the Union Trust Company.

Q.—The whole basis of the action of the Executive apart from the private reasons that may have actuated you which we do not inquire about, was the United States attitude and situation? A.—Yes, we never like to be driven in, but we try to anticipate what is coming and set our house in order in order to meet the events which seem to us to be impending.

Q.—You will remember it was at the same meeting you were discussing the curtailment of extension in the foreign field? A.—We discussed that prior to that and had settled what policy we should pursue before that.

Q.—Before coming to the specific resolution let me call to your attention what is already on the record but not in this connection, of course, at this same meeting you reported that you had closed the India office? A.—Yes.

Q.—And you recommended that all further work be discontinued in France? A.—Yes.

Q.—Then you had also reported that the money available for extension ought to be confined to Canada and the United States? A.—Yes, that had been settled by the Executive in my absence, and if I did not tell you yesterday I will now, howsoever much I disapprove of the action of the Executive when they have settled it I try to carry out loyally, their resolutions.

Q.—I think you did tell me the result of what they had done was crystallized in the form of these resolutions at your instance on your return? A.—Yes, although I disapproved of them.

Q.—The next report that is attributed to you is this: "The Supreme Chief Ranger further reported that in his opinion it was likely as a result of legislation that would be enacted in different States of the United States in which we are doing business that it would be necessary to dispose of all or at least a controlling interest in the capital stock of the Union Trust Company?" A.—Yes.

Q.—I won't read any more now, had that subject been at all discussed in the Executive and dealt with by the Executive before you returned? A.—No, I do not think so.

Q.—Then it was taken up at this meeting on your initiative? A.—At the action of the New Hampshire—

Q.—But on your initiative so far as the Executive was concerned? A.—Yes.

Q.—That is it had not been otherwise or before dealt with? A.—Quite so.

Q.—Will you tell me what your report meant in the language used that it would be necessary to dispose of all or at least a controlling interest in that stock? A.—To meet the position we met with in New Hampshire, that because we had a controlling interest in this subsidiary company they refused us license.

Q.—The objection, as I understand from what you have said, would not have applied to your holding a minority interest in the stock? A.—No.

Q.—It was because you had a majority interest in the stock, or controlled it that the objection was made? A.—Quite so.

Q.—"And he therefore recommended that steps be taken looking to a disposition of the interests of the I. O. F. in the Union Trust Company"—that was your recommendations? A.—Yes.

Q.—At that time had you, I will ask you for yourself first, lost at all your confidence in the value of the Union Trust Company as an investment? A.—No, I had not.

Q.—You still believed that your controlling interest there was a valuable asset? A.—Yes.

Q.—And the best shape in which you could have those funds of two and a quarter millions invested? A.—Sure.

Q.—And you were not at all dissatisfied at that time with the arrangement by which they were investing for you on a 4 per cent. basis, in other words there was no dissatisfaction at all of any kind, or was there—you are reserving those private reasons? A.—That is involved in the other question.

Q.—But as to the value of the other investment you were not in any doubt at all? A.—Not at all.

Q.—Were you willingly taking this step or unwillingly? A.—I do not think we would have taken any such steps, I mean in practically disposing of the control of the company, only for the New Hampshire incident.

Q.—Then I take it you say you were doing it unwillingly and because you were forced into that position or conceived yourselves to be? A.—Yes;

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I do not say, you know, we would not have made some changes, even if the New Hampshire incident had not occurred.

Q.—You might have made some changes, perhaps, in respect of the matters that the private and personal views that you entertain— A.—Yes, my first consideration and I think of every member of the Executive was to conserve the interests of the I.O.F., and if anybody's interests conflicted with that in any way—

Q.—So much the worse for him? A.—Yes.

Q.—That is the individual must yield to the interests of the I.O.F.? A.—Yes, everybody's interests must yield to the interests of the I.O.F.; that was my guiding principle.

Q.—Do you remember whether at this time when you made this recommendation you had in your mind that the transaction might be put in such a shape that you might still retain the valuable interest you had? A.—That developed afterwards. My idea was to get rid of the whole thing.

Q.—You have mis-conceived my question I think; you have told me you were satisfied with the dealings you were having with the Union Trust Company, that you were satisfied with the investment of your funds, you were satisfied with the investment in the capital stock, and you were doing what you did unwillingly? A.—No, I have not said that.

Q.—I thought you said you thought the investment was the most valuable investment you could have? A.—Yes.

Q.—And therefore you did not want, I suppose to be rid of it, and as you have told me you did it unwillingly and under pressure? A.—In view of the New Hampshire action, they were very far more reaching affecting the interests of the I.O.F. than simply the profits we would make out of our connection with the Union Trust Company.

Q.—The question that I ask you is this, were you at that time looking towards such an arrangement in respect to that investment as would satisfy what you expected the American law would be and yet leave you in substantial beneficial possession of the investment? A.—Surely.

Q.—You do not misapprehend me at all? A.—Then let me put it in answer this way, that we had so much confidence in the Union Trust Company to do business and make money for the I.O.F. that we were willing to retain an interest in the new Union Trust Company.

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Q.—That is not exactly what I mean, what I want is this, had you in mind that you might possibly comply with the law and yet retain the whole investment beneficially? A.—Oh no.

Q.—By making a sale subject to certain conditions and subject to certain reservations? A.—No.

Q.—You had not that in view at all? A.—No.

Q.—We will proceed with the terms of the resolution: "After the matter was discussed it was resolved that the S.C.R. and the S.C.," that is yourself and Mr. Stephenson? A.—Yes.

Q.—"Be appointed a committee to formulate such plan and take such steps looking to a sale of at least a controlling interest of the stock in the Union Trust Company as should seem to them best"—do you remember the discussion? A.—Yes.

Q.—Who took part in the discussion? A.—The members of the Executive Council.

Q.—Tell us what the discussion was as nearly as you can recollect? A.—Simply what was best to do under the circumstances.

Q.—Tell me what was said if you can remember? A.—Oh, I do not remember.

Q.—Don't you remember the gist of the discussion? A.—No, except that we discussed here the circumstances, we had been refused a license in the States already by reason of controlling, as I understood it, the Union Trust Company, and we discussed simply what was best to be done, and as shown there the Executive appointed Mr. Stephenson and myself to do what we thought was best to be done.

Q.—But the gist of the discussion you do not recall? A.—No.

Q.—You do not remember whether the names of possible purchasers were discussed or mentioned at all? A.—No, we had not gone that far yet.

Q.—The language used is: "That this Committee be appointed to formulate such plan"—whose language is that? A.—Very likely Mr. Stephenson's.

Q.—"To formulate such plan and take such steps looking to a sale of at least a controlling interest in the Union Trust Company as should seem to them best." Well, then, did you take any part in what was done afterwards in pursuance of that resolution? A.—No, I gave it into Mr. Stephenson's hands.

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Q.—You did not take part? A.—No.

Q.—You were aware from time to time I suppose as to what was going on? A.—Surely.

Q.—Tell me what you were made aware of from time to time, what was the first that you heard? A.—I think the first idea of the Executive was to try and bring about the consolidation between ourselves and some existing trust company and Mr. —

Q.—What do you mean between ourselves? A.—Union Trust Company.

Q.—Between the Union Trust Company and some existing trust company? A.—Yes.

Q.—With the view of having a resultant company in which you would not have control? A.—Yes.

Q.—Still retaining all you had invested there? A.—We did not discuss that I don't think as to whether we would retain any interest or not. Subsequently Mr. Stephenson found these parties who were willing to buy from us about two-thirds.

Q.—Who were the parties? A.—Mr. McGee, Mr. DuVernet, and Mr. Gurney.

Q.—Who was Mr. McGee? A.—He is the ex-President of the Bank of Ottawa, and we became acquainted with him while the Bank of Ottawa were our bankers, at least I got acquainted with him.

Q.—Mr. DuVernet is a practising barrister in the City of Toronto? A.—Yes.

Q.—And Mr. Gurney, what is he? A.—He is the foundry man.

Q.—Has Mr. Gurney any banking relations specially? A.—I don't know.

MR. HUNTER: He is President of the Crown Bank.

MR. SHEPLEY: You did not know that? A.—No, I knew he was an eminent citizen and a magnificent business man, because I have had dealings with him.

Q.—At all events you were not aware at all what his banking affiliations were? A.—No, I knew him as an honest and successful business man.

Q.—Do you know who took part in the negotiations with Mr. Stephenson on behalf of Mr. DuVernet and the other two? A.—I think the whole thing was arranged between Mr. Stephenson and Mr. DuVernet, that is my information.

Q.—Do you know how Mr. Stephenson and Mr. DuVernet came to introduce the matter between them? A.—I do not know.

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Q.—How they were introduced to each other upon the subject? A.—No.

Q.—That Mr. Stephenson can tell us about? A.—Yes.

Q.—You were not made aware of that? A.—No.

Q.—You did not know Mr. Matthew Wilson in that connection? A.—No.

Q.—You had not heard of him at all? A.—No.

Q.—In the end the transaction was put through, and it was evidenced of course by a writing? A.—Yes, I think I was made aware that Mr. Wilson was acting with the other parties quite early in negotiations. I gave you the impression I did not know anything about it.

Q.—What did you understand his relation to the other parties was? A.—Just that he was connected with the negotiations in some way.

Q.—And what way that was you were not made aware? A.—I might have been, but I paid no attention to it.

Q.—The agreement is dated 3rd May, how long was this in negotiation after you heard these gentlemen had commenced negotiations, how long did they proceed before the agreement was put into writing? A.—A very short time I fancy, I cannot tell you the time.

Q.—A week or two? A.—About that time, it was very quickly done.

Q.—This is an agreement dated 3rd May, 1906, between the Foresters of the first part, Mr. DuVernet of the second part, and the Union Trust Company of the third part. It recites that the Supreme Court, that is the Foresters, had been duly incorporated, and is still from time to time accumulating large amounts of surplus moneys or property which have to be invested. It recites the Trust Company has been duly incorporated with power to invest and to manage investments and to guarantee investments and so on. Then it recites that the Supreme Court is holder of a large number of shares and has agreed to sell 15,000 shares thereof to the purchaser, and the purchaser has agreed to buy the same. Then it is witnessed that it is agreed between the parties as follows: First, that the Foresters sell and transfer to Mr. DuVernet, and he buys and agrees to take from the Foresters 15,000 shares representing \$1,500,000 of the capital stock, at or for the sum or price of \$110 for each share, making in all \$1,650,000 and accrued interest or



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dividends at the rate of 4 per cent. on \$1,500,000 from the first January, 1906, up to the date hereof. That is they were buying as of the date of the first January? A.—Yes.

Q.—Were you a party to the fixing of the price? A.—No.

Q.—That was all done without reference to you? A.—Mr. Stephenson would consult myself and other members of the Executive.

Q.—But you did not have— A.—I did not take part in the negotiations fixing that price.

Q.—The price was not modified or altered from what they were proposing by reason of their submitting it to you? A.—No.

Q.—Then \$500,000 is part of the price to be paid by Mr. DuVernet to the Foresters—that I suppose was paid? A.—Yes.

Q.—Did it go through your hands? A.—No.

Q.—You did not know the shape it was in? A.—No.

Q.—That Mr. Hunter tells me is in the shape of a deposit receipt of the Crown Bank payable to the Order of the Foresters? A.—I never saw the nature of the cheque making the payment.

Q.—And you were not at all made aware of the method that had been adopted by the purchasers to provide the purchase money? A.—I fancy Mr. Stephenson had discussed that with us fully.

Q.—I mean this payment of \$500,000, you do not know in what way provision was made for the payment of that by Mr. DuVernet and his friends? A.—I understand we have the cheque.

Q.—That is the shape you got it in, but if I had given you my cheque you would have had the cheque but you would not have had any money: I would have to make provision— A.—It would not worry me how you got the money as long as I had your cheque and I knew the cheque was good.

MR. HUNTER: Q.—It was a deposit receipt? A.—I say it was represented to me as a cheque.

MR. SHEPLEY: What I want to know is this, did you at all become aware as to the means that these purchasers took to provide to find the \$500,000? A.—No.

Q.—You do not know what was done? A.—No.

Q.—Where it was raised? A.—No.

Q.—How it was provided at all? A.—No.

Q.—You were not aware? A.—No.

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Q.—Except you probably then knew what Mr. Hunter tells me now that it came to you in the shape of a deposit receipt of the Crown Bank? A.—No, I did not know that and I do not know it to-day; I tell you it was represented to me that he had the cheque of these people upon which we could realize.

Q.—Then the next provision is as to the payment of the balance of purchase price, that the remainder or balance of said price being \$1,157,000 shall be paid by the purchasers to the Supreme Court at or before the expiration of five years from the date hereof? A.—Yes.

Q.—That was a long pay-day? A.—Yes.

Q.—Were you consulted with or did you discuss with anybody the fixing of that date for payment? A.—No.

Q.—Were you told why so long a time was wanted? A.—No.

Q.—And you have not been told since? A.—No.

Q.—Were you surprised to find that although you were selling to this syndicate of gentlemen that the payment of the price, the bulk of the price was postponed so long? A.—No.

Q.—That did not surprise you? A.—No, I have an idea perhaps it was represented to me that we would get interest on that money until paid, I have a sort of recollection of such a representation, and if so these men were to be responsible, and if they paid us interest on the purchase money until they paid it in full why that was all right, it was a good investment of the funds of the Order, at least to my view.

Q.—At all events you were not made aware of the reason for postponing the payment for so long? A.—No.

Q.—And I take it from what you have told me that you were not surprised that they wanted 5 years to pay? A.—No.

Q.—This deferred payment is to bear interest on each 30th December in the meantime at the rate of 5 per cent. per annum? A.—Yes; well, then, that would show the reason why we should allow the money to lie so long.

Q.—But it does not show the reason why they wanted it to lie so long? A.—No, they did not explain that to us; they might have explained it to Mr. Stephenson, and he will give you the information.

Q.—The next paragraph is paragraph 5, that as part of the said 15,000 shares the Supreme Court assigns

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and delivers to the purchaser forthwith in all 250 shares in certificates, being four for 50 shares each and five for ten shares each—that is you gave them out of the 15,000 shares 250 shares, retaining 14,750? A.—Yes.

Q.—Then the remainder or balance of the said shares, being 14,750, representing \$1,622,500 at the purchase price shall be held by the Supreme Court as security for the payment by the purchaser of the said \$1,150,000 and interest thereon as aforesaid—that is you are entitled to hold 14,750 or a majority still, of the Union Trust stock as security for the unpaid purchase money? A.—Yes.

Q.—As long as it was unpaid, even if it took the whole five years? A.—Yes.

Q.—“But that the purchaser may at any time or times while interest is not in arrear pay to the Foresters \$110 for any multiple thereof and shall thereupon be entitled to have, and the Supreme Court shall assign to him, one share of stock for each \$110 so paid?” A.—Yes.

Q.—That was to release the stock from time to time on a pro rata basis? A.—As they paid.

Q.—(Continues reading agreement down to the words “on such stock until it shall be paid for”). You see that provision retains to you the control of the Union Trust Company until you are paid off? A.—Yes.

Q.—You have the full voting power, but if they pay the interest to you on the unpaid purchase money they can have the dividend on the stock? A.—Yes.

Q.—That is the provision? A.—Yes.

Q.—Pause there for one moment, practically unless they choose to pay you off you are still in control and will remain in control for five years, of the Union Trust Company? A.—You would know better about that than I; that is a matter of law, is it not? I trust such matters entirely to Mr. Stephenson and the lawyers on the Executive.

Q.—The Seventh paragraph is: “That in the event of default in any of the said payments to be made by the purchaser,” etc. (reads down to the words “render unnecessary and prevent the sale.”) Then “The Supreme Court appoints the Trust Company as and to be its agent for the investment of such of the surplus cash funds of the Supreme Court,” etc. (reads down to the words “investments by an agent.”) That was

to continue to the Trust Company in part at all events, we will see to what extent, the same advantage that it already had under the old contract with the Foresters? A.—Yes.

Q.—The ninth paragraph: “That the Supreme Court shall leave with the Trust Company the management of such investments,” etc. (reads down to the figures “1902”)—that was the old agreement? A.—Yes.

Q.—That was kept in force then as to old investments? A.—Yes.

Q.—Paragraph ten: “The Supreme Court shall,” etc. (reads down to the words “December 31st, 1897.”) I think that must have been intended for “80 per cent. thereof” instead of “80 per cent. thus?” A.—Yes, surely.

Q.—What difference did you understand, or did you deal with that in your own mind, there was between the funds you had to deliver before this agreement was made to the Trust Company under the old agreement and the funds you had to deliver for investment under this? A.—If I remember correctly I think the old agreement called for handing over to the Union Trust Company the whole of our receipts.

Q.—The whole of the surplus funds? A.—Yes. In this only 80 per cent. of such surplus is agreed to be handed over for investment by the Union Trust Company.

Q.—That is, that whereas the Foresters under the agreement of 1901 handed over all their surplus receipts for investment on the old 4 per cent. agreement, after this they are only bound to hand over 80 per cent.? A.—That is right.

Q.—Do you remember why that difference was made? A.—Simply because there was application made to us direct as an Executive.

Q.—Which you would prefer to deal with? A.—For investment, and we thought we might as well retain a little so as to make the investments ourselves.

Q.—That was something which had arisen and become developed under the old agreement; you found it was a little embarrassing always to hand your fund over when you had opportunities to invest yourself? A.—To have no funds at our disposal to invest ourselves.

Q.—You I suppose had frequently opportunities of making good investments at probably a better rate than 4 per cent.? A.—Quite so.

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Q.—You desired to avail yourselves of this at all events to the extent of 20 per cent. of your surplus? A.—Yes.

Q.—Then the Trust Company is to invest and re-invest the funds and put the securities in the name of the Foresters, but only in and upon such securities as the Foresters are authorized to invest in? A.—Yes.

Q.—That is the old clause again? A.—Yes.

Q.—Then there is some provision as to giving each month a notice of what funds will be available for investment during each succeeding month. Then there is the same guaranty by the Trust Company of the sufficiency of the securities, and a guaranty of the payment of 4 per cent. per annum interest? A.—Yes.

Q.—Then there are some provisions with regard to securities taken in the name of the Foresters being under the control of your Executive Council, that is the same as the old. Then there is the provision for book-keeping; the securities in the books are to be open for inspection just as in the old contract. Then a provision as to insurance; then a provision that after paying you the 4 per cent. the balance they may make upon the money they may keep.

Q.—Then as to funds already held by the Union Trust Company for investment, in respect of funds which the Foresters themselves have already invested, they are to have what you may mutually agree to let them have for management? A.—Yes.

Q.—And in respect of that it is just like the old agreement, they are to have a half of one per cent. of the average amount each year. Then, perhaps, I had better read the 20th clause: "that after December 31st, 1907, upon the collection of the said last mentioned principal moneys and interest the said Trust Company shall deposit the moneys," (reads the clause) that is just working out the 80 per cent.? A.—Yes.

Q.—Then this agreement and proceedings thereunder are to be binding and in operation for 10 years from that date, and is to supercede the agreement of September, 1901, after the lapse of 10 years. Then it is to continue in force until six months notice in writing is given and so on? A.—Yes.

MR. SHEPLEY: Then the 22nd paragraph, to which Mr. Hunter referred a moment ago, states that while the Supreme Court owns and holds

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its mortgages—(reads clause)—that is the clause you have in your mind?

MR. HUNTER: Yes.

MR. SHEPLEY: Q.—There is no provision there with regard to your not controlling, by your voting power, the election of the remaining directors? A.—I do not think so.

Q.—This is only a provision which entitles you while you keep your 10,000 shares, which you are not selling at all, to have a certain representation on the Board? A.—A certain proportionate representation.

Q.—Then let me return to the question I was putting to you a while ago and which you said at first was a question at law. Do you or do you not understand that by reason of your retaining the voting power in respect of the stock you did sell, that you are still able to control the Trust Company? A.—I suppose we are if we have the power of voting on that stock until paid for.

Q.—That is what the agreement says? A.—Yes.

Q.—And that is what you intended to retain? A.—Yes.

Q.—You intended to retain the control of the Trust Company until you were paid? A.—Oh yes, of course, if the agreement says so.

Q.—You intended what is in the agreement? A.—Yes.

Q.—Then there is a provision about the Trust Company making insecure or insufficient investment; then you can make them take those investments on their own behalf and make the amount of them good to you? A.—Yes.

Q.—That I think is a new provision, not in the old agreement? A.—I think so.

Q.—Then every five years these gentlemen have the right to pay you a certain sum of money and get this controlling interest in the stock? A.—Get the stock as they pay for it.

Q.—And they have 5 years to do that in? A.—Yes.

Q.—You have not had, I suppose, an annual meeting of the Trust Company since that agreement was made? A.—No. (Agreement Exhibit 475.)

Q.—Then what has been the active control of the Trust Company since last April? Who has been managing it? A.—Mr. Stephenson.

Q.—He is the most active of the directors? A.—For us at any rate.

Q.—He is the most active of the directors, any way? A.—Mr. Mc-



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Whinney is the Manager or Assistant Manager in our own company, I presume under the directions of Mr. Stephenson.

Q.—Has there been any reconstitution of the Board since April—the Board of the Trust Company? A.—Oh yes.

Q.—What is the Board of the Trust Company? A.—I do not know. I know that Mr. Stephenson and the Hon. Mr. Ross represent the I.O.F. on the Board.

MR. DUVERNET: Mr. McGee is the President and Mr. Matthew Wilson is the Vice-President. and the directors are Mr. Edward Gurney, the Hon. G. W. Ross, Col. Davidson, Mr. Chitty, of England, myself and Mr. Stephenson.

MR. SHEPLEY: When did Mr. Chitty become a member?

MR. DUVERNET: During this month of September.

WITNESS: Would you allow me to modify my answer as to the management?

MR. SHEPLEY: By all means.

WITNESS: I said Mr. Stephenson was directing the management. He is managing for the I.O.F. simply, representing our interests there, but I suppose the directors—Mr. McGee, probably, might be called the Manager now.

Q.—Perhaps the President, perhaps the General Manager? A.—And Mr. McWhinney is the manager under him.

Q.—Would you find fault with this statement, that in respect of the business which has been transacted in the Union Trust since this agreement was made in April last, that Mr. Stephenson has probably been the most active among the directors in the details of the work which has been done? A.—When I think of it now, I do not think that would be a fair statement. I think Mr. McGee the President has control and runs the institution.

Q.—Mr. \* Stephenson, of course, knows more about the past transactions of the company than Mr. McGee does? A.—Oh yes.

Q.—Am I not right in saying that Mr. Stephenson is actively engaged in a good many transactions, getting them wound up and arranged? A.—Oh yes.

Q.—Can you think of any one of the directors who is doing more of that sort of work than Mr. Stephenson is? A.—No.

Q.—Or as much? A.—No.

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Q.—Now there is another matter. Mr. Stephenson can give me a good deal of information about this that you are not able to give me? A.—Oh, he will give you all the information that is connected with it, I think, so far as we are concerned.

Q.—We make the thing complete by showing Mr. Stephenson's report on the consummation of the negotiations, which is dated 7th May, 1906, and it is a report to the Executive Council, "the Supreme Councillor reported that he had negotiated the sale of \$1,500,000 of the capital stock of the Trust Company held by the I.O.F. to Mr. DuVernet representing Charles McGee, Edward Gurney and others at \$110 a share, with interest at 4 per cent." (reads down to the words "to carry the same into effect.") You have told me all that you can tell me with regard to the sale of the controlling interest in the stock? A.—I think so.

Q.—And all you have been told about it, so far as you can recollect? A.—Yes.

Q.—What about the New Hampshire law since you have made this arrangement? A.—We have not tried it. We wanted to get thoroughly consummated, and then we will go back and see if we cannot get in.

Q.—What do you mean by consummated? A.—This whole transaction finished. I daresay it is finished now.

Q.—It is finished now as much as it will be for 5 years? A.—Very well, but you have kept us so busy that we did not dare get out of the city.

Q.—I did not give you a chance to get out of the city and attend to it? A.—No.

MR. DUVERNET: I offered to pay them the money and they won't take it.

MR. SHEPLEY: Q.—Mr. DuVernet states that the purchasers have offered the money and that you have refused to receive it? A.—Well, that would be on the principle that it was a mighty good investment and as long as we are getting the interest—

Q.—Are you aware of that yourself? A.—That it has been offered?

Q.—Yes? A.—No.

Q.—Of course they can compel you to take it, if they choose? A.—I daresay, but we will probably stand out until we feel like taking it—until

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they compel us. It is a good investment.

Q.—You are bound by the terms of your investment if they pay you \$110 to let them have a share? A.—Yes.

Q.—And if they pay the whole of it you are bound to let them have the whole of it? A.—Yes.

Q.—But Mr. Stephenson has told them not to take the money unless it is necessary? A.—I have no doubt he has good reasons for taking that position.

Q.—You are not aware of that, yourself? A.—No sir, I am not aware of it.

Q.—Now do you remember the transaction by which a very considerable sum of money, the property of the Foresters was lent to Dr. Montague upon mortgage. You were aware of that transaction? A.—Yes.

Q.—What was Dr. Montague's position in the Order at that time? A.—He was Deputy Supreme Chief Ranger, and editor of the "Forester."

Q.—What was the inception of the transaction as you recall it? There were lands, were there not, in the North-West Territory? A.—Yes.

Q.—Do you remember approximately how much land there was? A.—No, I could not tell you that.

Q.—Apparently about 44,000 acres? A.—Yes.

Q.—From the description in the mortgage? A.—Yes.

Q.—Do you know what the state of the title was, whether Mr. Montague owned the land, or whether he had an option to buy it, or what was the position of the matter? A.—I think he had an option to buy it.

Q.—And of course Dr. Montague had not the money to buy it himself? A.—No.

Q.—Then the money was needed for the purpose of paying for the land? A.—Yes.

Q.—Who was interested with Dr. Montague in the transaction in its inception? A.—I think I was one of them.

Q.—And who else? A.—Mr. McGillivray and Mr. Foster.

Q.—That is yourself, Mr. McGillivray and Mr. Foster and Dr. Montague were the persons who were interested in the land? A.—Yes.

Q.—Mr. Foster was then the Manager of the Trust Company? A.—Yes.

Q.—You were the Supreme Chief Ranger of the Foresters? A.—Yes.

Q.—And Mr. McGillivray was the Supreme Secretary of the Foresters? A.—Yes.

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Q.—How were your interests—equal interests? A.—I could not tell you. They simply asked me if I would go in with them in this transaction and I said yes. I never learned what my interest was.

Q.—You never learned what the share was that they were going to give you? A.—No.

Q.—Who suggested the transaction in the inception? A.—Oh, Dr. Montague.

Q.—Did he suggest the transaction before he got the option? A.—I do not think so.

Q.—You think he secured the option first and then came about getting the money? A.—Yes.

Q.—And the suggestion was that the other three of you should take interests with him in the land, and that the Foresters should lend the money? A.—Yes. That is that a syndicate should be formed of these people I have mentioned and buy the land and borrow from the Foresters to make the payment.

Q.—I think that upon the face of the conveyancing or of the writing that was done, none of the four names appeared except Dr. Montague's? A.—I could not tell you as to that.

Q.—We will just look and see how it was. You did not, any of you, join in the mortgage except Dr. Montague. He was the only person who signed the mortgage? A.—I could not tell you that.

Q.—The mortgage is dated 1st May, 1903. Do you know from whom Dr. Montague had got his option? A.—No.

Q.—Apparently from the schedule there were various tracts of land; for instance the Gillespie land, the Canadian and Pacific and North-West Land Company land, the Taylor lands, the Manitoba Government lands and, the C.P.R. lands. There were 5 groups altogether? A.—I knew there were several parties from whom we had arranged to buy.

Q.—Would I be putting it in an improper way if I stated that the purpose was to pay for these lands and make a profit out of them by re-selling? A.—Oh, sure, that was it.

Q.—And would I be saying too much if I said that none of the gentlemen concerned in the syndicate had the money of his own to pay for the land? A.—Well, I think that is a little too strong. Some of us I knew had the money to pay what it was likely to be necessary to pay to carry the transaction through.

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Q.—Had it of your own? A.—Yes.

Q.—But it was thought better to finance the transaction through the Foresters? A.—Yes sir.

Q.—The mortgage is the 1st May, 1903, and between the Hon. Walter Humphrey of the City of Hamilton and the I.O.F., and the sum of money mentioned is \$133,000; that is what had to be paid for the land, I presume? A.—I presume so.

Q.—You have no further information on that than you "just suppose" it is? A.—Yes.

Q.—You do not know whether it all had to be paid for the land or not? A.—No. Beyond assenting to become a member of the syndicate, I had no knowledge until the thing went on a pretty long time.

Q.—It had gone on some length? A.—Yes.

Q.—When you say beyond consenting to become a member of the syndicate, I suppose you were also consenting to the transaction being financed by means of the Foresters' money? A.—Yes.

Q.—You were aware of that and consented to it? A.—Yes, I was told the money was to be borrowed from the Foresters.

Q.—Then the mortgage, as I say, is on the 1st May, 1903, but the Mortgage committee had pronounced upon the matter a year before the previous March—on the 28th March, 1902? A.—Yes.

Q.—You will remember there was a considerable length of time between? A.—Well, I was not consulted.

Q.—Let me read this Minute to you and ask you the position of things at the time the Minute was made. This is the 28th March, 1902. "Application of the Hon. Dr. Montague for a loan of \$4 per acre on 100,000 acres of land in Manitoba and the North-West, valued by him at \$8 per acre, bearing interest at the rate of 5 per cent. was approved. subject to valuation?" A.—That is right.

Q.—"Dr. Montague having the privilege of borrowing on a less number of acres if he sees fit," (reads down to the words "thereof respectively?") A.—Yes.

Q.—Before the matter came before the Mortgage Committee, had the Syndicate been arranged? We could not tell if it was before or after that date; you do not know whether you were taken into the matter before that or after that? A.—Oh, I must have been. I was taken in right from

the first. I was asked whether I would join in the syndicate, and I said yes, and that ended the matter so far as I was concerned.

Q.—But you told me you didn't think the syndicate had been formed or you had joined it before Dr. Montague had secured the option? A.—I do not think I did.

Q.—After the doctor had secured the options he came to you, or to the three of you, to form a syndicate to raise the money? A.—I think, perhaps, the matter might be explained if I said he came to me and talked about these things, and probably told me what the land could be secured for.

Q.—That was before he got the option? A.—Before probably he formally got the option.

Q.—Then you say the application was for a loan of \$4 per acre on 100,000? A.—Yes.

Q.—That was the original application? A.—Yes.

Q.—Which was approved? A.—Yes.

Q.—And by computation I may tell you that the lands that are actually included in this mortgage are 44,000 approximately instead of 100,000 acres? A.—Yes.

Q.—And the sum of money is \$133,000, as you have already, I think, been shown? A.—Yes.

Q.—What had taken place with respect to the lands that you recall between the date of the Minute of the Mortgage Committee and the date of the transaction evidenced by the mortgage itself? A.—I do not know.

Q.—Had the money been advanced? A.—I could not tell you that.

Q.—Who will know about that? A.—Mr. McGillivray would have been able to tell you that and Dr. Montague and also our accounts.

Q.—I suppose there is a mortgage account in respect of that? A.—Yes.

MR. SHEPLEY: Perhaps you will let us have a copy of that.

MR. HUNTER: Yes.

MR. SHEPLEY: Q.—It is suggested, and it sounds very probable indeed, that in the interval the lands were being selected out of the larger bulk? A.—And probabie, very probable, in the interval we had our valuaturs going over the lands offered.

Q.—Do you remember that valuaturs were sent to value? A.—Oh yes, I think so.

Q.—You think they were? A.—Oh yes, I am sure of that.



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Q.—Then the mortgage goes on to provide that “the mortgagor grants and mortgages those certain parts and tracts of lands and premises lying and being in the Province of Manitoba in the North-West Territories more particularly described in the Schedule marked “A”. Then the interest is to be 5 per cent. and the principal sum is to be payable within the term of 10 years, one-fourth on the first of May in each of the years.” Then I observe a clause typewritten into the body of the mortgage “this is the indenture of mortgage referred to in the deed of trust by the parties hereto of the first, third and fourth parts, and bearing even date herewith.” Do you remember the purpose of the deed of trust? A.—I never heard of it.

Q.—Now I come to the deed of trust. That transaction, then, on its face is a borrowing by Dr. Montague of \$133,000 upon 44,000 acres of land, and there is a reference to the deed of trust incorporated in the mortgage.

Q.—Now this appears to be the deed of trust. It is dated also, like the mortgage, the 1st of May 1903, and it is between Dr. Montague of the first part, the Union Trust Company of the second part, the Foresters of the third part and Mrs. Montague to bar her dower of the fourth part. Does that come back to you at all? A.—No.

Q.—It recites in the first place that the grantor—that is Dr. Montague—is the owner of the land hereinafter described in Schedule A upon a portion of which is still owing a part of the purchase money, as in said Schedule A, set out.” Now, we will turn to Schedule A. and see how much information we get there. This Schedule A. referred to in the deed of trust, describing it, sets out first the Gillespie lands. You remember those were in the mortgage? A.—Yes.

Q.—Secondly the Canadian Pacific and North West Company land, thirdly the Taylor land, fourthly the Manitoba Government lands, and fifthly the C.P.R. lands. Now, this is at the foot of the Schedule of the Manitoba Government lands—“these lands purchased from the Manitoba Government are subject to the payment of balance of purchase money, amounting to \$17,280.” Is that a familiar thing to you at all? A.—No.

Q.—It is all new to you? A.—I was not consulted about any of these things.

Q.—You were not consulted about the details? A.—No.

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Q.—The next recital is that the grantor has this day mortgaged the lands by certain indenture of mortgage, which in the body thereof is earmarked as follows:—(reads) That identifies the mortgage. Then it recites that the conveyances of the lands made in favor of the grantor have not been registered. Do you recall any reason for not registering these conveyances? A.—No, and so far as I am able to judge from the state of the document itself, the mortgage does not seem to have been registered? A.—No.

Q.—You do not know at all about that? A.—No.

Q.—The mortgage was upon lands in Manitoba and the North-West Territory? A.—Yes.

Q.—And it would require to be in different parts for the purpose of being registered. However, I need not trouble about that. “And whereas the trustees have agreed to act as trustees both upon behalf of the grantor and the said Society now this indenture witnesseth, that for the purpose of effectuating the intention of the parties hereto and in consideration of the premises the grantor doth hereby sell, assign, transfer and set over”—(reads). And there are the usual covenants for the grantor. Then the trustees are to hold the lands and conveyances thereof subject to the joint order of the grantor in the said Society so long as the mortgage indebtedness is not in arrear, and in case it should fall in arrear, thereupon and thereafter the trustees shall hold the same subject to the order of the said Society.” That is so long as the interest on the mortgage is paid and the principal is kept down according to the terms of the mortgage, just so long the grantor is to have a joint right with the Society to designate the destination of the land. Then the said trustees are simply to be trustees for the purpose of holding the said land and securities therefor until such times as said mortgage indebtedness is fully paid up and satisfied, and after satisfying themselves of that fact from the Society they the said trustees are to convey the lands and deliver the securities therefor then held by them,” (reads down to the words “bearing even date herewith.”) Do you know anything about those written instructions bearing even date herewith? A.—It is the first time I have heard about that document at all.

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Q.—My information with regard to that is that the instructions bearing even date herewith is that the lands were to be conveyed and the securities delivered and all this, to Dr. Montague, yourself, Mr. McGillivray and Mr. Foster. That would be in accordance with the arrangement of which you have told us? A.—What arrangement.

Q.—The arrangement by which you four were to share in the ultimate fit? A.—Yes.

Q.—Then the next paragraph is "subject to the consent of the Society, and upon such conditions as the Society wishes to impose from time to time, the grantor is at liberty to sell any portion of the lands," (reads); and those written instructions are to be in harmony with those referred to in the second paragraph of the deed of trust. Then, if there is default the Society may require a sale or sell. Then the grantor, the Society and any official of any Insurance Department of any State, country or territory in which the Society transacts business—(reads down to the words "for the purpose of inspection.") That seems to have been a not unusual clause in your documents? A.—How do you mean?

Q.—Not an unusual clause in documents which you take, that you secured the right, not only to yourselves, but to the various insurance departments, to inspect all the documents relating to any particular transaction? A.—Yes.

Q.—Then the trustees are to have \$100 a year while they act as trustees. Then the grantor is to bear all charges and costs. Then the trustees are to be at liberty to take any necessary proceedings for the protection of the lands. (Mortgage and Trust Deed filed at Exhibit 476.)

Q.—Now the amount of the loan upon this mortgage was originally \$133,000, as we have seen, and our information is that upon that \$133,000 mortgage and without any fresh security a very great deal more than \$133,000 was advanced; that is that moneys were handed over to Dr. Montague to enable him to deal with these lands to a much larger amount. Do you know how that was? A.—No.

Q.—I will tell you what the state of the account was on the 1st January, 1906. The principal indebtedness has been increased by further advances to \$165,581.87, and there was \$22,674 of interest due in respect of it. Would that surprise you to hear that that was the state of that mort-

gage account? A.—Well, rather, because I understood that the interest was being met on this loan as it fell due.

Q.—Then you are surprised to hear that, because you supposed the interest had been kept up? A.—I think I was sure that the interest was being paid right along.

Q.—Then, did you remain interested as a member of this syndicate, from the time of this conveyancing down, or was there ever any change in that? A.—Oh there was a change up to a certain time I think, as far back as towards the end of 1903 or the beginning of 1904.

Q.—That would be towards the end of the year in which the mortgage was given, or towards the beginning of the next year? A.—Yes, very shortly after I had entered into this syndicate.

Q.—What happened? A.—Mr. Stephenson and I had a discussion with regard to the proposal to enter into another syndicate to buy other property.

Q.—There was a proposal pointing to you and Mr. Stephenson, or to you only? A.—To Mr. Stephenson and myself and others.

Q.—Who were the others? A.—Mr. McGillivray and, I think, Mr. Foster.

Q.—Dr. Montague? A.—No, Dr. Montague was not in it, and Mr. Stephenson advised me, that although he thought it was not illegal, still it would look very bad for me to enter into it.

Q.—That is to enter into the syndicate which was then being proposed? A.—Yes.

Q.—And which was intended to be dealt with similarly to the one that we were talking about? A.—Yes, quite so, and I said "If it is improper to do this in this case, why it is certainly improper in the Montague case;" and he said "Yes," he could not see any difference between the two. Immediately I went to Mr. McGillivray and said, "So far as I am concerned I am going to get out of this. No amount of profit that could accrue to me in this transaction would compensate me for any loss of confidence of the membership." And I urged him to join me in the change I proposed, and he assented, and that was to convey our holdings back to the Union Trust Company, which meant of course, back to the I.O.F. After that we had a consultation with Dr. Montague, and although it was agreed that his posi-

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tion was different from Mr. McGillivray's and mine, as he was not a member of the Executive, however, I persuaded him to agree with us in the proposition to re-convey the property, at least to hold the property in trust for the Union Trust Company, that any profits which might accrue from our holding in the syndicate might go back to the Order; that was agreed to by the three of us, and the only person then concerned was Mr. Foster who was in with us. When I was going away last year to India I wanted to straighten everything up so that in case anything happened to me, my friends would not find my affairs standing in this condition. I asked Mr. McGillivray and Mr. Montague who had agreed with me to make this change, if the change had been made, and they said, No, and in their presence I instructed Mr. Stephenson to see forthwith that these changes were legally carried out, and I understood that they were, and the property was re-conveyed so that any profits accruing from our holding would go to the Union Trust Company.

Q.—Mr. Hunter tells me that Dr. Montague signed a quit claim deed? A.—In consequence of this agreement he eventually said, "Well, whatever you do I will join, notwithstanding that I am not a director or executive officer, still I am in the employ of the Order, and I think that if you have made up your minds to do this, although I regard the transaction—and I am advised that it is all right—that it is not illegal—still I will join you." And I understood that the property was sold or re-conveyed to the Union Trust Company, and that afterwards the Union Trust Company sold our holdings and made a profit for the Order of about \$100,000.

Q.—I am coming to that subsequent sale, but you have not quite completed what you had to say about the interests of the four members of the syndicate? A.—Oh, I understand afterwards they persuaded Mr. Foster to join them and that he did join them.

Q.—That Mr. Foster also joined them? A.—Yes.

Q.—In re-conveying or giving up any rights in this syndicate for the benefit of the Union Trust Company? A.—Yes. I did not go to Mr. Foster. I never had any conversation with him on the subject, but I entrusted the business to Mr. McGillivray and Dr. Montague to do, and it seems it was done.

Q.—Then you were about to say, or you had said, and I interrupted you, that subsequently some sale was made? A.—It was reported to me on my return from India that a sale had been made. I know nothing about it.

Q.—Do you remember a company being formed, the Western Canada Settlers Mutual Land Company of Winnipeg? A.—Yes.

Q.—You remember that company? A.—Yes.

Q.—What had the company to do with these lands? A.—Nothing, I think.

MR. HUNTER: The Union Trust Company put these lands and other lands into the company.

WITNESS: Well, I do not know about that. It was talked about and I suggested the idea that we should put these lands into this company which you have just mentioned, the Colonization Company and that the lands should be used for the purposes of that company, to put settlers upon them, but the Executive reversed my policy or rather disarranged my ideas about the Colonization Company, and came to the conclusion there was too much land to set aside for that purpose, and that the operations called for were too large to justify us in trying to carry it out on that scale.

Q.—Then with respect to the Western Canada's Settlers Mutual I think I will pass that by with you, because we can get that more accurately from somebody who knows more about it? A.—Yes, Mr. Stephenson will be able to give you the information. After the scheme was started, of course the matter was handed over to Mr. Stephenson.

Q.—And he dealt with it thereafter? A.—Yes.

Q.—And you four ceased to have any personal interest in the lands as against the Foresters or the Union Trust Company individually after the transaction which was brought about by the intervention of Mr. Stephenson? A.—Yes.

Q.—Then, I understand that recently, within a very short time now, the lands themselves have been actually sold in such a way that the old Foresters' mortgage and all interest upon it has been fully paid off. A.—Yes, and not only that, but quite a profit has accrued from the transaction, which will go ultimately to the benefit of the Order.

Q.—There could be no profit beyond the principal and interest on the



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mortgage so far as the Foresters are concerned; that was upon the former transaction? A.—Yes. When I talk about the Union Trust Company I always have it in my mind that it is the Order.

Q.—Those matters we will have a little more in detail, but you do not know personally about them? A.—No.

(The Commission then adjourned till Monday, 24th September, at 10.30 o'clock.)

## SEVENTY-SECOND DAY.

### MORNING SESSION.

Toronto, Monday, Sept. 24, 1906.

MR. SHEPLEY: An error has been pointed out to me which is probably a printer's mistake in the testimony of Dr. Oronhyatekha. At page 2255 of the evidence in discussing the valuation balance sheets returned to the British Board of Trade the dollar mark is put instead of the pound mark in one place, and of course it upsets the whole thing. It is about three-fifths of the way down the second column; the figures as printed are \$9,774,443\*; it should be that number of pounds.

Examination of DR. ORONHYATEKHA continued:

WITNESS: This is so important a matter to us that I would like to put in this evidence, the Dominion Government standard as compared with the Ontario Government standard with regard to rates. You see there is quite a difference. This is based upon actual experience, and therefore is likely to be true.

MR. SHEPLEY: We will just have this explained; you have two columns here, two comparative columns at the ages 20, 30, 40 and 50? A.—Yes.

Q.—One column is headed Net Premium Dominion Government Standard for old line companies—what do you mean by Dominion Government standard? A.—The standard which the Government uses in requiring of old line companies their net premium, it must be at least that much.

Q.—The other column is net premium Ontario Government standard for new societies? A.—Yes.

Q.—What do you mean by Ontario Government standard? A.—The same that the Ontario Government requires

of new orders or societies, that they must use those figures as in their net premium, and those figures are based upon, as I understand, the actual experience of the Canada Life, and therefore reliable; showing that the societies can do business at a much lower rate than is set forth by the Dominion Government, and as I have already pointed it out, that in the Ontario Government standard the profits arising both from lapses and the benefit of medical selection during the first five years is not taken into account, and therefore the premiums for societies could be lower than the Ontario Government standard by whatever these profits might be.

Q.—Of course you appreciate, do you not, that it is quite possible to compute reverses upon such a basis as to give a society the benefit both of the lapses and of the medical examination? A.—Quite so, and that is just what we are complaining of, that in the ordinary Government standards for old line companies there is no such allowance, and then they say we ought to come to this high standard.

Q.—Of course, once conceded that there is a possibility of your valuing policies so as to include those benefits, then it is just a matter of making an accurate computation? A.—Yes.

Q.—Would you be prepared to say or hazard an opinion as to whether, if you made a computation adopting these benefits and making them part of the computation that the amount of money you have on hand would be equal to a reserve so computed? A.—No, I do not say that.

Q.—You do not say it would? A.—No.

Q.—Then after all it comes back to what you have called the safety clause? A.—Yes.

Q.—I have no objection to putting that in, of course, and you understood that that, as with regard to the others, is subject to criticism? A.—Yes.

Comparative statement of net premiums, Dominion Government standard for old line companies and net premium, Ontario Government standard, for new societies, filed as exhibit 477.

Q.—The Ontario standard I have assumed is what we have spoken of already as Dr. Hunter's rates? A.—Yes.

Q.—I think you were going to let me have a little fuller account about

\*Corrected in this edition.

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that asset which you are carrying under the head "Provincial"—you remember, that is now \$20,000 odd? A.—I do not think I can give you any fuller account. After a certain stage I handed over the negotiations to Mr. McGillivray and Mr. Laidlaw.

—Mr. Hunter hands statement to Mr. Shepley.

MR. SHEPLEY: This does not explain to me why that asset is found rather with the Foresters than with the Union Trust which took over all the assets, that is a thing I want to have explained, you cannot tell me about that? A.—No; I should imagine you could get that from Mr. Foster.

Q.—When Mr. Foster is in the box I can ask him for it? A.—Yes.

Q.—I think you said that you would have the account in respect of Foresters' Island made up, has that been done? A.—I think so.

—Mr. Hunter produces account.

MR. SHEPLEY: Q.—Do you know who owned the property before you commenced your enterprise there? A.—I owned the Island and I donated the site of the Home to the Supreme Court, and then they instructed me to build a Home on it.

Q.—Was the Island encumbered, or was it free from encumbrance? A.—The section that was donated was free from encumbrance; the Castle building was encumbered I think to the extent of \$10,000 at that time.

Q.—When you say the section donated was free from encumbrance and the Castle building was encumbered—A.—The Castle building and ground.

Q.—Was not the Castle building and ground part of the donated property? A.—No, sir.

Q.—And is not the Orphan's Home situate upon that? A.—No.

Q.—It is apart from that? A.—Yes.

Q.—Then the castle and grounds are not part of the Foresters' enterprise there at all? A.—No, sir.

Q.—Not up to the present moment? A.—No, I have since conveyed to the Foresters the whole of the Island, but of course that has no connection with the Home.

Q.—By way of gift? A.—Yes, sir.

Q.—And subject to the encumbrance? A.—Well, no; I am going to pay off the encumbrance.

Q.—But it has not yet been paid off? A.—No.

Q.—I suppose we can get the conveyances in the Registry Office with regard to that? A.—Yes, I think so.

Q.—Or perhaps you have them

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more convenient, and we can look at them if we desire? A.—Yes.

—Account *re* Orphans' Home, Forester's Island, marked as Exhibit 478.

Q.—The Alexandra Palace accounts, that Mr. Hunter says is not in the Foresters' account, but in the Union Trust account. Then this is a statement of the Temple. (Statement of the Temple produced, marked as Exhibit 479.)

Q.—Had you any acquaintance with the purchase of certain lands in which at one time you appeared to have had an interest, or you are said to have had an interest, from the Canadian Pacific Railway subsidy lands in the Northwest in connection with the Great West Land Company? A.—I know very little about it except that there was such a company to whom we loaned money.

Q.—When you say we loaned money? A.—That is the Foresters, or the Union Trust.

Q.—You look upon the Foresters and the Union Trust as one body? A.—Yes, I would be very likely to say I. O. F. when it is really the Union Trust Company.

Q.—What do you know of the beginning of that transaction? A.—Nothing about it.

Q.—Who was in charge of it? A.—I think Mr. Foster and Mr. McGillivray for us, that is for the Foresters, or the Union Trust Company; there were 100 shares transferred to me at some period of its history, and when I learned of that fact I gave instructions to have it re-transferred to the Union Trust Company, and I think it was done, and that is about all I know about it.

Q.—You got no personal benefit out of that? A.—No.

Q.—Whose transaction did you understand it to be? A.—I understand it to have been a syndicate, and in that syndicate were Mr. McGillivray, Mr. Foster and Mr. Wilson.

Q.—You understood it to be a syndicate, in which Mr. McGillivray, Mr. Foster and Mr. Wilson were interested? A.—Yes, there might have been some others, but those are the names that are in my mind with regard to that transaction.

Q.—Mr. Foster was the manager of the Union Trust Company? A.—Yes.

Q.—We know what position Mr. McGillivray occupied, what was Mr. Wilson's position? A.—As a director. I think, either director or solicitor.

Q.—Or perhaps both? A.—Yes.

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Q.—Of the Union Trust Company?

A.—Oh, no—why, yes, he was director and solicitor at the time of the Union Trust.

Q.—You do not remember the names of any other people concerned with the syndicate? A.—No, sir.

Q.—Generally speaking, what was the syndicate scheme? A.—I presume to buy land and sell it again and make money out of it.

Q.—Where did you understand the money was obtained for the purpose of doing that? A.—I think we loaned it.

Q.—Who loaned it? A.—The Union Trust Company.

Q.—The Union Trust Company loaned to the syndicate the money out of which to carry on the speculation? A.—To buy the land.

Q.—You do not, or do you— A.—The same as in the Montague matter.

Q.—Did you understand that the Union Trust Company put up all the money that was necessary to finance? A.—I could not tell you any of the particulars, just the general features of the transaction I know.

Q.—But you do understand as much as you have told me about it? A.—Yes.

Q.—At one time you say there were 100 shares put in your name in the Great West Land Company? A.—Yes.

Q.—That you did not retain, and you think you gave it to the Union Trust Company? A.—I am sure I gave instructions to have it re-conveyed to the Order, which meant the Union Trust Company.

Q.—So that the beneficiaries in the Order would have the benefit of it? A.—Exactly.

Q.—Then did you inquire to see whether that had been done? A.—Oh, it was done.

Q.—Or did you find out it was the syndicate that got the benefit of those shares? A.—No, my interests were re-conveyed to the Union Trust Company.

Q.—That is what you have always supposed? A.—Yes, I think it was done.

Q.—If it turns out that your interests were just handed over to the syndicate that would surprise you? A.—That is another matter with which I would not have anything to do.

Q.—Except you are telling us you were surrendering for the benefit of the Order? A.—Yes—oh, yes; I remember now, it was re-conveyed to the benefit of persons that I did not

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intend should have the benefit of it, and when it came to my knowledge—

Q.—Let us not bauik at it, for whose benefit was it conveyed? A.—I heard it was conveyed to the members of the syndicate, but I have no knowledge of it. However, when I returned from India I was told that the members of the syndicate had converted those shares to themselves, and I wrote to Mr. Wilson telling him I had no such intention of re-conveying the property.

Q.—Is that letter available? A.—I think so, it must be.

Q.—We would like to have a copy of that letter; was there any correspondence arising out of your letter on the subject? A.—I think not, I inquired the other day whether there was any answer to that letter and I understood there was not, still there may be, and if there is any I will furnish you with a copy of the reply.

Q.—And any further correspondence there may be upon the subject? A.—Yes.

Q.—Did you hear of any other stock besides the 100 shares to you, did you ever hear of 237½ shares of stock? A.—No.

Q.—You did not hear of any stock that at one time belonged to the Union Trust Company, or as you would say to the Order? A.—No.

Q.—You do not know about that being surrendered? A.—No.

Q.—Did you regularly attend the meetings of the directors of the Union Trust Company? A.—Very seldom you might say, on account of my frequent absences from the city.

Q.—Have you in a general way an idea as to the extent to which the funds of the Union Trust Company were put up in aid of that syndicate in that speculation? A.—Not until recently.

Q.—And recently you have found out? A.—I was told.

Q.—How much about? A.—Some nine hundred odd thousand dollars.

Q.—\$980,000 of funds of the Union Trust Company?

MR. STEVENSON: It is not quite that much; the mortgage is \$980,000, but the largest amount was \$958,000? A.—That would be correct, because Mr. Stevenson had charge of that.

MR. SHEPLEY: It seems rather a pity you were not looking after the affairs of the Union Trust Company? A.—Well, some things that were done would not have been done if I



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had been in direct charge, but I had able colleagues on it, and with very few exceptions everything done when I learned of it had my approval.

Q.—But there were exceptions? A.—Yes, very exceptional.

Q.—And perhaps this particular transaction was one of the exceptions? A.—With my experience of the Montague business I do not think I would have repeated the transaction, at least so far as I am concerned.

Q.—You would not have favored handing over what were practically trust funds to a syndicate composed of directors of the Trust Company and others who occupied positions of trust for the purpose of their private speculation? A.—No, I do not think so. At first of course I did the same thing myself, but I do not know whether I am entitled to say innocently, at any rate, as soon as it was brought to my attention that it was improper, although it may have been legal in a sense. I would not have consented to any further transactions of that kind.

Q.—Then I suppose we can get further information with regard to that from the gentlemen who were beneficially interested in it? A.—I think so. Mr. Foster for instance can give you all the information.

Q.—And Mr. Wilson? A.—Yes.

Q.—Mr. McGillivray not being available? A.—Mind you, I think Mr. McGillivray, like myself, would not have entered into those transactions if he had realized that it might compromise him in the eyes of the membership.

Q.—Then what other transactions of a similar character have you in mind when you say there were some transactions you would not have allowed to go through if you had been in charge? A.—I do not know whether you ought to ask me to answer that, because that is simply a question of opinion of mine, while the transactions may have been absolutely correct, my ideas being different and being in the position of head of the Order my actions may have been governed by other considerations than ordinary commercial requirements, and I would not like to just give any opinion finding fault with a transaction.

Q.—I will put it in another way, and I will put it in in a way which I am sure will appeal to you at once: neither you nor I ought to judge the

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transactions, somebody else must do that? A.—Yes.

Q.—But we ought to know the transaction so that those who are entitled to judge can judge, I want you to tell me in that view what other transactions you have in your mind? A.—I have told you exactly what these transactions were.

Q.—So far as you have told me, but there were others, you know, and it is the others I want to get at, so that we can spread the facts with regard to them before the ultimate judges? A.—Well, I do not think I ought to tell you.

Q.—I think you should, doctor, I think it is your duty to? A.—Well, in a general way I do not see any objection to saying this to you, that the directors had given certain orders not to do certain things, and I understood that Mr. Foster had done it in disobedience of the orders of the directors.

Q.—You have in mind the particular matter or matters as to which there was, as you understood, a breach of instructions? A.—Yes, it was buying stocks that were not dividend-bearing. I had very decided opinions about it, and I got the Board of Directors to give instructions not to buy non-dividend bearing stock, so that we could hold it as an investment, and I understood Mr. Foster after those instructions were given did buy some stocks that were not dividend bearing, and I did not like it.

Q.—What stocks have you in mind when you say that? A.—Some railway stocks. I don't know what they were.

Q.—You do not remember the names? A.—No.

Q.—They will be found in the records of investments? A.—Yes. When I say that the reason I have been hesitating, Mr. Foster may have been perfectly right in a sense in buying those stocks.

Q.—Have you ascertained that a very large portion of the resources of the Union Trust Company is, or was until recently, locked up in Northwest lands in addition to this? A.—Locked up just as our funds are locked up in mortgages, we had bought property in the West and until we resold it of course they were locked up; when I say bought, I suppose we had loaned money on them. You know we went into the colonization business for the purposes of that col-

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onization, and I wanted the Montague lands to be transferred to that scheme, and in that way you might say that some of our money was locked up for a time. I am sure that if the lands we had acquired had been held for the colonization scheme of the Order we would have realized millions in money and reputation, and I am exceedingly sorry the Executive thought fit to depart from the original scheme, or thought best.

Q.—The colonization scheme was never carried out? A.—It is being carried out in part, but not on the scale I proposed it to be.

Q.—Who can tell us the history in detail of the colonization scheme and what was done in respect of that? A.—I think Mr. Stevenson can.

Q.—Then did you ever hear of the Kamloops Lumber Company? A.—Yes.

Q.—What did you understand the Union Trust Company's interest was there? A.—The Union Trust Company acquired for the Order what is called the Kamloops Lumber Company Timber limits and saw mills.

Q.—Acquired those for the Order? A.—Yes; probably it would sound better to use the term Union Trust Company. To me of course it means at that time we owned nearly all the stock, what was done for the Union Trust Company was done for the Order.

Q.—Do you know how much money was put into that business? A.—No, I do not; well, of course, I can get the information, but I cannot recall it just now.

Q.—A very large sum of money? A.—Quite a large sum, but it was a very large property, and in my judgment the Order was sure to make a very large profit.

Q.—Do you know from whom the property was purchased? A.—No.

Q.—You did not hear any names in connection with that? A.—There were parties I think from whom we bought, but I could not tell you the names.

Q.—You cannot tell me anything further with regard to that? A.—No.

Q.—But, at all events, whoever they were, and whatever the amount, funds of the Union Trust Company to a very large amount were invested in that speculation? A.—Yes.

Q.—I call it speculation because, of course, everything in which you invest money is more or less speculative? A.—Well, in that sense I accept the term. Mr. Stevenson will be able to tell you all that in detail.

Q.—I understand you have cancelled your other appointment, and you will consider that you are not finally released? A.—I will keep within calling distance. I may go down to the Foresters' Island, but you can get me. Am I released now?

Q.—Yes, for the present.

MR. HELLMUTH: I do not think that at the present stage, and in view of what my learned friend has said about Dr. Oronhyatekha being recalled, if necessary, and that his examination is not finally concluded in that sense, that it is still open, I do not think that I have anything to ask at the present stage.

ELLIOTT G. STEVENSON, sworn.  
Examined by

MR. SHEPLEY: Q.—You reside in Detroit? A.—Detroit, Michigan.

Q.—And you are a counsellor, practising your profession there? A.—Yes.

Q.—When did you first become connected with the institution into whose history we have been inquiring? A.—Well, officially I became connected with the Foresters in 1898. I became a member of the Order some time prior to that. I cannot recall the particular date.

Q.—What was your first official connection with the Foresters? A.—At the Supreme Court meeting in 1898, convened here in Toronto. I was elected Supreme Counsellor.

Q.—You were elected Supreme Counsellor? A.—Yes.

Q.—What is the status and what are the functions of Supreme Counsellor in the Order? A.—Under the Constitution to do pretty much as the Supreme Chief Ranger directs. Under my arrangement it was specially to look after the legal business of the Order in the United States.

Q.—To look after the legal business of the Order? A.—In the United States.

Q.—Was that legal business in the United States of considerable dimensions? A.—Oh, quite considerable, involving the defence of suits, and also looking after the interests of the Order for the Insurance Departments.

Q.—In connection with investments? A.—Not necessarily investments, no, but to obtain licenses. There were varying laws in various States.

Q.—To keep the Order in a state of good health with respect to the various Insurance Departments? A.—So that it might lawfully do business in the various States.

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Q.—I do not know whether I should describe it as gradual, but your functions developed? A.—Well, of course, last year I gave up my entire time to the work. Prior to that time I gave up more time to the affairs of the head office than I had been expected to, but I continued. There was no change in my real arrangements 'until late in the year 1904.

Q.—You spoke, just now, of having found the work at the head office growing? A.—Yes.

Q.—You had become involved in the supervision of work at the head office as well as the work you have spoken of in the United States? A.—By request of the Supreme Chief Ranger, there were other duties assigned to me that I undertook.

Q.—And of what nature were the duties in so far as the head office was concerned, speaking now of a period prior to your giving your whole time to it, and having regard to the fact that of course it was growing? A.—Simply endeavoring to learn the condition of the business of the Order and to suggest any changes that occurred to me that would tend to improve its condition.

Q.—Prior to the time you speak of, were you brought into contact with the investing side of the Order? A.—Only so far as the Union Trust Company was concerned.

Q.—I pass that for the moment, because I want to deal with that a little more in detail. Then were you, from time to time, taken into the confidence of the Supreme Chief Ranger upon questions of insurance and of insurance policy? A.—I think practically from the beginning.

Q.—You were called upon, I should say, to form a view, and probably to express it with regard to the soundness of the methods that were being adopted? A.—Yes, it was more a question of discussion rather than any formal request; as we got together we discussed matters, and he would request my views about different matters, and I freely expressed them, and took occasion, in order to endeavor to express them intelligently, and to have the suggestions to be of some value, to investigate with reference to them, so far as the conditions were concerned, as the details were so enormous that I realized that he could not possibly be possessed of all of them.

Q.—I suppose you were aware—perhaps you were always aware—but you soon became aware of the fundamental difference between the methods of this

society and the ordinary insurance methods? A.—Yes. Well, I carried old line insurance and paid for it, and I carried this insurance and paid for it, and I realized this very fully.

Q.—Perhaps it is not going too far to say that you might sum up the fundamental differences in this; that this society does not contemplate the maintenance of a reserve? A.—That is a fair statement, I think.

Q.—Was the theory upon which the maintenance of a reserve might be dispensed with in the case of a friendly society the subject of discussion frequently between you and the Chief Supreme Chief Ranger? A.—Even before I became officially connected with the Order the question was discussed at considerable length, prior to the meeting of 1898 at which the rates were increased. Of course I do not profess to be an insurance expert, but having some general information upon the subject, the Supreme Chief Ranger seemed to be gathering such information as he could from all sources.

Q.—Then are you able to put the case for dispensing with the reserve upon any better or higher ground than the Doctor has put it? A.—No, I could not undertake to do it half as well as he has done it.

Q.—May we take it for granted that the best and most effective argument that can be used in favor of the system has been advanced to the Commission? A.—I should certainly agree to that, although of course we must all have some difference upon some of the questions involved, but I think the statement of the case from the Doctor's lips has been a full and fair statement on the side of the Order.

Q.—Then I leave that subject, just with that general statement of it. I was quite prepared to hear you say that, and I do not know that after you have said that we need get views in favor of the system from anybody else than the Doctor.

JUDGE MacTAVISH: You have not changed your mind? A.—Not at all. There is one very simple way of stating the matter; even upon our old rates they are sufficient to provide for a death rate of 9 in a thousand, so that if you should get your organization so as to keep your death rate below 9 in a thousand, even our old rates are sufficient.

MR. SHEPLEY: Q.—That is something, I suppose, which might be said with regard to the subject of in-



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insurance generally, and apart altogether from the question of maintenance of reserves? A.—Yes, there might be a suggestion in that regard; there are cities in your country and cities in our country, where the death rate of all classes is below 9 in a thousand.

Q.—Then the first matter that involved your attention from the investment standpoint, the first important matter at all events, was the Union Trust Company? A.—Yes.

Q.—What part did you take in that? A.—Simply in the way of advising and consulting.

Q.—We have taken the history of that from the Doctor and from the documents pretty full. Is there anything that you are aware we have overlooked that we have not— A.—I have not been here at all times, and I would say for myself that the controlling factor with reference to approving of the plan of the organization of the Union Trust Company, was to endeavour to make sure of the investments of the Order being cared for. The principal care prior to the time of the organization of the Union Trust Company devolved upon the Supreme Chief Ranger, and the Supreme Chief Secretary. The Supreme Chief Ranger, as early as 1898, was in very ill health, very poor health, in fact his life was despaired of. The Supreme Secretary's health had commenced to fail, so that it seemed as though it was almost a matter of necessity to make some provision for taking over that very important branch of the work of the Order that had been resting, practically, upon these two men, in addition to that it was brought that by the organization of the Union Trust Company there would be sufficient at least earned, from outside sources, so that the Order could have the gross result of its investment as net results. Those were the two thoughts that were controlling in my mind at the time of the organization of the Union Trust Company.

Q.—In the first place to increase the efficiency of the management as to investments, and in the second place to provide for a self-supporting department, so to speak, so that the gross results of the Foresters' investments might be net? A.—Yes.

Q.—You were made aware, of course, during the negotiations for bringing about that alteration, you were made aware of the existence of the old Provincial Trust Company? A.—In a very general way. I simply

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knew it had an office in the building, and I knew the charter of that company was being acquired with a view to surrender and procuring a new one for the Union Trust Company.

Q.—Were you aware that the history of that Company was not eminently satisfactory? A.—No, I paid no attention to the history of that, as I did not suppose—

Q.—You were looking to the future rather than the past? A.—Yes. I did not suppose that was a matter of any importance, more than enabling us to secure a new charter by a surrender of the old one.

Q.—It was intended from the beginning that practically the Union Trust Company should be the property of the Foresters? A.—I would want to qualify that. There were a number of gentlemen who at the outset expected to become holders of a considerable amount of stock.

Q.—Mr. Matthew Wilson I know subscribed for either \$20,000 or \$40,000.

MR. NESBITT: \$40,000.

WITNESS: And there were one or two other gentlemen who, it was expected, would subscribe for as much more. It was expected the Foresters would control it until such time as we hoped it would be worth a good premium, and then dispose of it. That was the original thought, but we found, after Mr. Wilson had subscribed for his stock, that the question of declaring dividends and that sort of thing was likely to create embarrassment; for instance, Mr. Wilson naturally felt he wanted a fair share of the earnings distributed by way of dividend. From our standpoint we were satisfied to take the 4 per cent., and to have the surplus earnings accumulate, and that resulted—there was a little disagreement over that—that resulted in a change of policy, and we retired Mr. Wilson's holding, and stopped admitting anybody else in for that reason.

MR. SHEPLEY: That was all following out the policy which you have spoken of, of consolidating the earning power for the benefit of the Order? A.—Yes.

Q.—Had you anything to do with the negotiations between Mr. Wilson and Mr. Laidlaw? A.—Nothing at all. I knew nothing of them except as I have been informed in conversation with Mr. Wilson, principally, since that time.

Q.—And let us see whether the account of it which appears upon the

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documents and particulars of which we have been given by the Doctor can be put in this way; the Union Trust Company was to receive its incorporation under the general Act and the Provincial company was to surrender its charter so that there might be no greater number of charters in the field.

Q.—The property and assets of the Provincial Trust Company were to be turned over to the Union Trust Company? A.—Yes.

Q.—And the *modus operandi* was the acquisition by a person or persons who were trustees for the Order of the stock in the old Provincial? A.—Yes, except I would want to say in that connection that I did not understand that it involved any loss—the acquiring of those assets.

Q.—You did not understand it involved any loss? A.—No.

Q.—You understood that whatever was paid nominally for the stock would be returned in the shape of good assets? A.—We would have good assets for whatever we paid for the stock.

Q.—But is there any doubt that the assets were to go into the Union Trust Company? A.—Well, I could not say as to that, Mr. Shepiey. I do not know, I was not familiar with the details of the matter and I did not know what form it actually took.

Q.—Are you able to offer any explanation,—because that is a thing which has troubled me, and I cannot see my way through it yet, perhaps because I have not all the information—can you explain to me why we find this asset returned year by year to the Government in the returns of the Foresters, the Provincial Trust Company? A.—I could not. I never was familiar with the matter of preparing the statements, and never had anything to do with it, in fact never until 1905, examined them, and then only with reference to the larger investments.

Q.—Am I right in saying that your view would have been, or your expectation would have been, to find the assets, good or bad, in the Union Trust Company, and the Foresters recouped for the money they had paid for the stock? A.—I certainly expected the Foresters would be fully recouped for every cent that was paid in acquiring that stock.

Q.—Then the very next thing, if you can say it with propriety, did you understand the assets, good or bad,

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would be turned over to the Union Trust Company, and that the Foresters would have no concern with them? A.—The matter never came to my mind, so that I never had any opinion or understanding about it—the details or the way it would be worked out.

Q.—So that we are still without any further light about that. Then do you remember at whose suggestion Mr. Foster was brought into the matter in any capacity? A.—I cannot say who suggested it. I recall the discussion about the matter.

Q.—Who were present? Who were the parties to the discussion? A.—The matter was discussed certainly between the Supreme Chief Ranger, the Supreme Secretary and myself, and I think at a full meeting of the Executive Council, we were all desirous of securing someone in whom the membership and the public would have confidence, and who would be recognized as a safe man to entrust the management of the interests to, and who would be a safe guide in the matter of investments. My general information was that Mr. Foster had been Finance Minister of the Government of this country, and that during his administration of that Department that he had been absolutely above suspicion in the matter of any sort of trafficking or dickering in the affairs pertaining to his Department, and that he was considered conservative, almost to the point of cheeseparer. That was the statement of the case that was made to us with reference to the qualifications of Mr. Foster for this position.

Q.—Then he was approached upon the subject, we hear, in an interview with the Doctor, the Supreme Chief Ranger? A.—I have no personal knowledge of that.

Q.—Then we have the letter. Just one word with regard to a suggestion made by Mr. Foster. In the second of his letters a suggestion is made that there should be the appearance—I do not want to put it invidiously at all—but the appearance of an independent Board of Management. Do you remember that? A.—No, I never heard that suggestion.

Q.—Perhaps you did not see the letters? A.—No, I never have seen the correspondence that passed.

Q.—Then, altogether in stock and premiums, two millions and three-quarters of Foresters' money has gone into the Union Trust Company? A.—From first to last.

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Q.—And, in addition to that, I was going to say practically the whole, but the bulk of the funds of the Order, the accumulated funds of the Order have been invested and managed by the Union Trust Company?

MR. HUNTER: That is hardly right. The Doctor pointed out that the \$3,000,000 on hand were not turned over? A.—Practically all of the accumulated funds, since the organization of the Trust Company, or at least since the Supreme Court ratified the contract between the Foresters and the Union Trust Company, it is my understanding has been invested through the Trust Company.

MR. SHEPLEY: Q.—What class or classes of investment would be in your mind as the probable investments, the Union Trust Company would be expected to make of all these funds? A.—Of course the funds of the Order intrusted to them for investment had to be either in mortgage securities, deposits in bank, or a certain class of stocks that are authorized by the Insurance Act as I understand it. As to the capital of the Union Trust Company, we were advised that that might have a broader scope of investment. For instance the Foresters could not invest in real estate, except to a certain amount, which amount had already been invested. We were advised under the charter of the Union Trust Company that it was legal and proper to invest in or upon security of real estate, in other words that the powers of the Trust Company with regard to investment were broader than the powers of the Foresters or of any insurance society.

Q.—Well, was the fact that in that way a very large sum of money belonging to the Foresters would be able to get into a broader current of investments—was that fact at all an element in the consideration of the formation of the company? A.—It was not in my mind. I cannot speak for others. I was aware that subsequently it did take a broader form, but at the outset I gave that no consideration and attached no importance to it.

Q.—Do you suppose that, having a right to invest in the stock of the Union Trust Company, that what the Union Trust Company might do with that capital stock, after they got it, was a matter that did not concern you? A.—No; it did concern me, but I understand that they would have the same powers of investment that any trust company would have

and that its capital contributed by the Foresters could be invested the same as the capital of the National Trust Company or any of the other trust companies of the city.

Q.—Of course you were looking forward to prudent investments of the capital stock, of the moneys, as well as the regular and legal investments of the funds of the Order? A.—Yes. We hoped to make more upon the capital stock of the Trust Company than we could upon the ordinary investment—that is, I did.

Q.—You have been here and you have heard certain transactions mentioned in the course of my questions addressed to the Supreme Chief Ranger with regard to certain transactions of the Union Trust Company. Of those transactions which you have heard mentioned which was the first that came under your observation? A.—I was not here Friday at all, and that is, I think, the day you went over this matter with the Doctor. If you will just direct my attention to any matter, I will answer it.

Q.—Let me ask you something else first. Were you on the Board of Directors of the Union Trust Company? A.—From the beginning?

Q.—And you are to-day? A.—Yes.

Q.—You always have been? A.—Yes.

Q.—The Doctor spoke of your having been sent there to take care of the interests of the Order? A.—Well, that is more especially this last year. I think that up to 1905 Mr. McGillivray specially looked after the interests of the Order—that is especially after the financial interests of the Order.

Q.—Then there have been certain matters mentioned, and I will tell you that one was a matter in connection with some Quebec lands, and one was the matter of a loan to Dr. Montague, and another was a matter of the Great West Land Company, and another was the matter of the Kamloops Lumber Company, and there are some others which the Doctor was not able to recall, but those have been mentioned. Now, of those which have been mentioned, or transactions of a similar kind, which first came under your observation? A.—Well, the first one that came to my personal notice was the proposed investment in Quebec.

Q.—The proposed investment in Quebec? A.—Yes.



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Q.—What was the proposal in respect of that, in outline in substance? A.—It was the proposition presented, that finally culminated in the Kamloops investment, as I understand it.

Q.—Then, perhaps you can just state, without going into any details, what the Quebec proposition was. I do not want to take up the Kamloops matter just yet? A.—I was here either to attend the Executive Meeting, which I always endeavoured to attend, or it may possibly have been a Board Meeting of the Trust Company, and was called into Mr. Foster's Office. Mr. Wilson, Mr. McGillivray and he were there. It was stated that there was a proposition involving an investment in some valuable Quebec timber, and a suggestion was made that I should join in taking over that proposition. I inquired what it was, and it required several hundred thousand dollars of investment. It was stated that Mr. McCormack and Mr. Irwin, who were practical lumbermen, and men of substance, were to go into it with Mr. Fowler to the extent of 49 per cent. of the investment, borrowing the money from the Union Trust Company, and that their personal undertaking or covenant was amply sufficient to protect the Union Trust Company to the extent of 49 per cent., and the suggestion was that someone connected with the Union Trust Company should take the other 51 per cent., and I said that I had not sufficient funds to warrant me in doing that, and the suggestion was made that we might borrow from the Union Trust Company, and to that I demurred, and I was asked the reason why, and I told them that in my understanding directors of a trust company were simply trustees for the funds and had no right to use them for their own profit. The suggestion was made that we had a right to borrow from the Trust Company, even though we were connected with it, and the difficulty that occurred to me was that we passed upon the loan as well as taking it, and at that I think the suggestion was dropped. Someone then inquired as to whether I had any objection to the Trust Company taking it up, and I replied that much of the wealth, perhaps the greater portion of the wealth, of our State of Michigan was the result of timber and lumber operations, and that I would regard a proposition of that kind as likely to be a good proposition as far as profits were concerned, and that I had no objection

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to it being considered from the standpoint of the Company itself being interested.

Q.—At that discussion the Quebec timber limits were the limits under consideration? A.—Yes.

Q.—You have used the expression in detailing the conversation or in relating what took place, that the suggestion was made. Can you be more definite than that as to who was the spokesman for the proposition? A.—Well, I cannot say whether Mr. Foster or Mr. McGillivray. I would not undertake to say. I cannot state as a matter of recollection. We were all four in a comparatively small room, and it was a conversation carried on between us.

Q.—And the conversation was general? A.—Yes.

Q.—Let us see whether we have it correctly. The proposition was that McCormack and Irwin, who were men of substance, would join with Fowler and finance 49 per cent. of the proposition? A.—Finance it by borrowing 49 per cent. from the Trust Company, giving their covenant for it, secured by the interest they would acquire in the business.

Q.—It was to be borrowed from the Union Trust Company? A.—Yes.

Q.—49 per cent.? A.—Yes.

Q.—And the 51 per cent. should be borrowed by you four gentlemen also from the Union Trust Company? A.—I would not say it only included us four. The suggestion was, we four and perhaps others. I am not prepared to say whether it was limited to us four.

Q.—However, the suggestion was that the 51 per cent. which you were to finance, should be borrowed from the Union Trust Company? A.—By our borrowing, just the same as Fowler, McCormack and Irwin would borrow their 49 per cent., that we would borrow 51 per cent., and give our obligation, secured by our interest in the company.

Q.—Then you objected to that? A.—Yes.

Q.—And the transaction as to those limits did not go through? A.—Not on that account; and then the suggestion was made that the Trust Company on its own account take up the 51 per cent., and the proposition was investigated from that standpoint. Irwin and McCormack went and investigated the proposition, cruising, as I understand, the timber limits, and reported against taking over the proposition.

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Q.—It fell through on account of the inherent weakness of the proposition itself in the end? A.—Yes.

Q.—But you had conceded, subject to considerations of prudence in the transaction, you had conceded the principle that the Union Trust Company might invest in that class of property? A.—To that extent. The suggestion was simply this; that while I regarded it in a sense speculative, that it would not involve to exceed \$250,000, and if it promised very large returns and seemed to be safe as an investment, that as to that transaction we might go that far.

Q.—Are you aware whether there are any papers, correspondence or documents of any kind in connection with that proposition? A.—I never knew of any.

Q.—The whole thing rested on words, so far as you were aware? A.—So far as I knew.

Q.—Now the Chief Ranger says that upon hearing that you were averse to that transaction; he was not able to distinguish that from the other transaction he had been concerned in. You remember about that? A.—I was not aware of the other transaction at all at its inception.

Q.—Not at its inception, that is what he says? A.—No, but the Supreme Chief Ranger is correct in stating that subsequently, when this matter was brought to his attention, that he thought the other proposition was subject to the same vice, that it seemed to me existed in the first one, although I do not mean to call it a vice. I am simply speaking from my own view of the matter; and that he therefore regarded that as an improper investment for him to be personally concerned in, or for Mr. McGillivray to be personally concerned in, and Mr. McGillivray subsequently confirmed it; so that I know they were agreed that they should retire from the Montague investment.

Q.—Did you have any discussion with Mr. Foster with regard to the Montague investment? A.—I think some considerable time later I had a conversation with Mr. Foster about it, when the burden practically of having this matter turned over to the Trust Company for the benefit of the Foresters, of course as stockholders, I took the matter up with Mr. Foster, and Mr. Foster thought it was treating him unfairly in the matter, that he had no connection with the Foresters, that he was invited into the matter without any solicitation on his part, and that such equity as there

was in it he felt he was entitled to, that his compensation as Manager of the Union Trust Company, was small and that he felt that he was entitled to whatever margin of profit there was in that equity, and we discussed the matter at considerable length, and Mr. Foster finally yielded, and said that although he thought it was unfair to him, that he would join the others in turning the property over to the Union Trust Company. I perhaps ought to say that when I pointed out what I thought was the difficulty from the standpoint of the Doctor and Mr. McGillivray as trustees for the Foresters, he said he did not stand in any such relation, and he thought his position was quite distinct from theirs, and that, therefore, while they might feel that it was proper to take that course, he did not see why he should be bound by it.

Q.—There is, I suppose, or always has been an agreement between the Union Trust Company and Mr. Foster upon the subject of his services? A.—I never have seen it, and I am not prepared to say whether the agreement was between the Trust Company or made by the Supreme Chief Ranger on behalf of the Foresters, I have never seen the contract, I know there was an arrangement by which Mr. Foster came in, and that that served until the property was sold.

MR. SHEPLEY: Is it possible to produce that agreement, Mr. DuVernet?

MR. DuVERNET: I do not know of any.

WITNESS: Mr. Foster could tell us whether it was with the Foresters or the Trust Company.

MR. SHEPLEY: I am told there was such an agreement between the Trust Company and Mr. Foster.

WITNESS: If it was between Mr. Foster and the Foresters we will produce it.

MR. SHEPLEY: My information is that it is with the Trust Company.

MR. DuVERNET: I will have a search made to see if there is such an agreement.

MR. SHEPLEY: Q.—Were you concerned at all in what was subsequently done with respect to the Montague Loan? A.—I had to do with securing the transfer and the subsequent disposition of the property.

Q.—That part of the history of the transaction we have not got in detail at all, and I would like you to give us that? A.—As the Supreme Chief Ranger has said, when he departed

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for India, I think it was in October of last year, the expectation then was to have these lands which it had been agreed should be returned back, turned over to the Mutual Settlers' Land Company, I think is the title of it, anyway the Company Dr. Montague went to Winnipeg to manage.

Q.—That was the Company which was to take over the land from Dr. Montague, and as to which they were entitled, subject to the interests of the Foresters under the law? A.—It was not contemplated that they should directly take them over, but the Union Trust Company subscribed for stock in that company, and they were going to pay for their subscription in that company, by transferring all the lands they held in the Canadian North-West, which included the 44,000 acres of the so-called Montague Lands.

Q.—The Montague lands were to go into the Settlers' Company, along with the interest in lands which the Union Trust Company itself had in the North-West? A.—And that are meeting at Winnipeg—that was when the Doctor was on his way to India, going by way of Vancouver—there was quite a large block of lands bought from the Prairie Land Company, or some such company, I think 50,000 acres. Dr. Montague had secured an option on 75,000 acres and at a meeting of the Board at which Sir Daniel Macmillan, Mr. Roblin, John Dryden, Colonel McGillivray and Dr. Montague and some others, I do not recollect who, were present, they advised the purchase of the 75,000. I felt that we had already all the land we ought to have, and as a result of the different interviews upon that question, we compromised by taking over 50,000 acres, the other 25,000 acres were taken by Sir Daniel Macmillan, Dr. Montague, Dr. Oronhyatekha, and I do not know whether Colonel McGillivray was associated in that or not, but they took that on their own account because of the objection that was interposed to our taking it.

Q.—When you say "our taking it," you mean the Union Trust Company?

A.—Practically.

Q.—Then the Montague lands, which we are more immediately concerned with, found their way into the hands of the North-West Settlers' Company? A.—I only referred to them because the Montague lands were originally 44,000 acres, and finally came to 123,000 acres, and I

simply wanted to refer to that as part of the blocks of land that entered into the making up the 123,000. Shall I continue the history of that?

Q.—Yes, please. A.—After the Doctor had departed the investigation over the lands had been well on the way, and as a result of that there was a good deal of agitation here and elsewhere about subsidiary companies. I recall attending two meetings at Montreal where members of our organization discussed this matter and the suggestion was made that we were multiplying unnecessarily, subsidiary companies, and that, as a result of the discussion, it seemed to me that we were laying ourselves open to the suspicion of multiplying them for personal purposes rather than in the interests of the Order. So I came back and reported the matter, and determined upon turning back on the colonization plan we had entered upon, and upon the Western Settlers' Land Company, and then proposed to have the lands all managed by the Union Trust Company. In the meantime Dr. Montague had gone to Winnipeg to manage the Western Settlers' Land Company, and he came and said that he could arrange to form a syndicate outside, he would undertake to carry it through to the extent of \$100,000, that they would take those lands over at a price, if we could agree upon it, and that they would handle those lands and dispose of them. That resulted in the agreement by which Dr. Montague, Mr. Kitson of Hamilton, Mr. Grantham of Hamilton, Mr. Gauld, a lawyer there, if I have the name, and Mr. Biggar, and Mr. John Montague, as I recall, undertook to purchase these lands at \$6.75 per acre, and we gave them a contract to sell them those lands. They were to bear all expense of the sale and turn over to us net \$6.75 per acre. As a guarantee they executed and delivered to us their notes for \$100,000. They were to be held as a guarantee, and they went on then and became the Mutual Settlers' Land Company. Our subscription to the stock in that company was cancelled, and in lieu they became stockholders to the extent of \$100,000, provided for by our formally lending them \$100,000 on their notes secured by their stock.

Q.—You lent them \$100,000 on their notes secured by their stock? A.—Yes, to have the capital paid up as a capital of \$100,000 instead of \$1,—



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000,000, as I think it was under the first arrangement, and then we held the \$100,000 guaranteed in that form instead of the other form. The matter stood in that way, the contract providing that we should—

MR. SHEPLEY: Is that contract forthcoming, Mr. DuVernet?

WITNESS: I have a copy of it, if it cannot be procured otherwise. I can furnish a copy of it.

MR. DUVERNET: I have not got that at all.

WITNESS: I will undertake to furnish that.

MR. SHEPLEY: Very well, I suppose the Union Trust has it also.

MR. HUNTER: You have that among the papers, if you will produce that bag I gave you on Saturday.

WITNESS: The net result of that was that we undertook to sell the lands that had cost us with interest and all charges added, up to that time something approximating \$5, or \$5.20 for \$6.75. It resulted, if the transaction was consummated, in our reaping a net profit of \$117,000 or \$118,000 over and above all interest charges of all character. Subsequently Dr. Montague's Company sold the lands in block. Our intention originally was to assist members of our Order to go on these lands, if need be to build an inexpensive house for them and give them a start on these lands, and see that they were enabled to have a fair start in life, and then to sell the lands to them at whatever the lands were fairly worth in the market, being recouped for all of our advances with interest upon it. But when we took this back track, so to speak, to a great extent that had to be abandoned, but in the meantime Dr. Montague had proceeded to sell these lands, and had about 26,000 acres of them at prices ranging from \$10 to \$15 an acre, and sold 360 acres, and as high as a section at a time. They have sold the land at the price of \$8.40. I have seen the contract; in fact we had proof of it, and out of that they have to make the contracts for sale; and sold upon the basis of 6 per cent., and may run over a period of six years at \$1 an acre; that is the payments are \$1 per year ordinarily upon the sale of this land, and if the selling price was \$6 an acre, it would run over 6 years; if the selling price was \$12 an acre, it would run over a period of 12 years, so that under this contract they have to make an allowance or reduction, so that those

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contracts will be the equivalent to-day of 8 per cent. Right in that connection, if you will permit me, we have received \$250,000 on account of the purchase coming from the new purchasers of the property, the balance of that purchase price, the entire amount of that purchase price is to be paid in cash on or before the 1st January, and as soon as the title is satisfactory.

Q.—So far as the Trust Company is concerned, dealing with that as a separate entity, the Trust Company emerges from the transaction with a profit? A.—About \$117,000.

Q.—Then, with regard to the Foresters and their mortgage— A.—They have their cash with interest in full.

Q.—That was recently? A.—We got the last item of \$140,000 within the last 10 days. That was the amount coming to us out of the \$200,000 payment paid to the Trust Company on the purchase price. That was all that was coming to the Foresters on account of their mortgage.

Q.—Mr. Nesbitt suggests that I should ask you, whether or not, Dr. Montague protested against your taking the back track, as you say? A.—Well, Dr. Montague was very much disappointed. Of course he had practically severed his relations with the Order, and thought there was a fine prospect of making a very large amount of money for the Order, on the plan that we had outlined, and also of doing the Order a very great deal of good in helping them to get homes, and in that aspect of it I might say he was disappointed, but when the matter was finally discussed, and the policy we had decided on was made clear, he acquiesced in it more.

MR. NESBITT: Q.—He was not seeking to get a personal benefit? A.—Oh no, not at all. He desired that the original plan should go through. He thought that it would enure to very great advantage to the Order to carry out the original plan, and the other was really upon my suggestion that we wanted to unload the lands and get out of the land business entirely. We had an interest in nearly 400,000 acres of land, and I had reached the point, so far as I was concerned, that we wanted to unload, and we were going to unload just as quickly as we could, and regarded that as the quickest and best agency for doing it as to that particular part of the lands.

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MR. SHEPLEY: Q.—When you awoke to the land policy of the Union Trust Company in the North-West, approximately how much land did you find them carrying? A.—Well, including the Great West lands, about 400,000 acres.

Q.—And how much money was put up? A.—Of course I could not say. It would involve ultimately about \$2,000,000.

Q.—How did that strike you? A.—If you will pardon me in that connection, I want to explain why I say, ultimately. A good many of the lands were purchased on contracts; that is other parties had purchased them on contracts, and we purchased the contracts, and the contracts had not matured, so that it did not involve that much—at that time, but ultimately there would be that much required.

Q.—And how did that strike you as a matter of policy on the part of the Trust Company? A.—Speaking for myself do you mean?

Q.—Yes? A.—Well, I thought it was too many eggs in one basket.

MR. SHEPLEY: Now in connection with the matter I am about to take up, Mr. Nesbitt, I should like to have, indeed I must have, the papers which Mr. Foster was good enough to let us have over Saturday.

MR. NESBITT: What is the nature of them?

MR. SHEPLEY: There is the Minute Book of the Great West Land Company and certain agreements, certain options, transfers of options with respect to stock, and so on.

MR. NESBITT: As to this my position was defined the other day. I have no objection to showing Mr. Shepley, or his agent, on the understanding that we had that it was not to affect my position, anything and everything he wants. We take the position for a number of gentlemen—there are others beside those that have been mentioned that are concerned in that—that they have nothing earthly to do with the options that certain gentlemen may have obtained. It is no more relevant than if myself or Mr. Shepley obtained options and borrowed money, which borrowing has been passed upon by the directors of the Union Trust Company. The mortgages are held by them. The security is ample, and as to who the mortgagors are, or anything else, we say you have nothing to do with that—not that there is the slightest thing to conceal, but as a matter of prin-

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ciple we must utterly decline to go into these matters. In order to satisfy the Commissioners that there is nothing to conceal, you gentlemen can see anything you want to, but we say the public have no more right to inquire into those affairs than you have to go into my private book at this minute, if I borrowed money from the Union Trust Company or anyone else. It is not pretended there is any loss, or anything spilt by the way, as my learned friend expressed it. There is the security and there is the borrower. I am quite content for you to say, where you desire to say in reporting, that there are certain gentlemen connected with what I call subsidiary companies—I am quite content you should say some of those gentlemen are to a small extent, and a very small extent, interested in those options, but as to these other gentlemen, you have not right to go into it.

MR. SHEPLEY: I will go into the question at a further stage. I want to make it quite plain to the Commission that the inquiry and the discovery are relevant? Q.—You remember the transaction or series of transactions in connection with the Great West Land Company? A.—My first intimation of that was in 1904.

Q.—The transaction originated about the middle of 1903. You were aware of that, I suppose? A.—No, I was not aware of that.

Q.—You were not aware of when it originated? A.—No. What I undertook to state was that I did not know anything of it until 1904, the date is in March 1904, or perhaps February of 1904.

MR. SHEPLEY: May I have the Minutes of the Union Trust Company here, while I am enquiring into this transaction?

MR. DuVERNET: I gave instructions that anything that was in connection with this matter should be handed to Mr. Hunter or Mr. Cross.

MR. SHEPLEY: Who is in custody of the Minute Book of the Union Trust Company? Who is in custody of the books of record of the Union Trust Company? Are you aware? A.—I would think Mr. McWhinney. He is the Assistant General Manager and present Acting Manager, as I understand it.

JUDGE MacTAVISH: Is there any objection to producing the Trust Company's Minute Book of 1903?

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MR. NESBITT: My instructions from Mr. DuVernet are, so far as relates to any distinct money that is ear-marked in this way, no. This particular security that has been described by the Doctor can be produced, every minute relating to it, and everything about it, yes.

MR. SHEPLEY: I shall take much wider ground, but at present it is sufficient to say that I am inquiring into a transaction that is of the nature my learned friend speaks about, a transaction in which certain officials, high in office, for their own benefit in the transaction in which they were personally interested, have made use, have been permitted to make use, of a very large amount of the moneys of the company. That is the nature of the inquiry I propose to make, and all the documents I am speaking about are relevant to that inquiry.

JUDGE MAC TAVISH: If they are relevant to that inquiry they ought to be produced.

WITNESS: I may say, that for myself I am perfectly willing to give any information I am possessed of.

MR. SHEPLEY: The difficulty, of course, is that the best evidence is the record, and that is what we think we ought to have.

MR. DUVERNET: Just to make that plain, so far as I am concerned I have had no request made upon me yet that I have not fulfilled, because I considered that it was relevant. My instructions—I have in fact asked Mr. Cross several times if he was getting everything he wanted, and he said yes, and I have heard no suggestion that any information had been refused him, and if Mr. Cross had asked for the Minutes or a copy of them—

MR. SHEPLEY: I do not want you to misunderstand me. I am not complaining in that regard, but you understand the arrangement is that I must not make use of that evidence?

MR. DUVERNET: Quite so. But as far as that particular transaction is concerned I think it as relevant, and I am not making any objection.

MR. NESBITT: Do not misunderstand my objection. It was not as to this particular matter, but my learned friend's inquiry was of too general a character. He wanted the books, he is not going to get the books so far as I am concerned. You can have them and look at them as much as you please. I will tell you the whole story, but we want to draw the line somewhere.

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MR. SHEPLEY: Perhaps it would facilitate matters if you would get the Union Trust Company Minute Book here. From that I will make further progress which will enable me to deal with the other company. Would you mind having that done—having them send the Minute Books of the Trust Company here, so that they will be upon the ground, and in the meantime I will proceed as far as I can to unravel the transaction by oral testimony.

Q.—When you came to know about the transaction what did you learn as to its inception? How did the matter originate as you were informed? A.—My information came from an interview at the outset with Mr. Wilson on the train, and inasmuch as that was the subject of a letter I wrote, perhaps that will be my best recollection of what I learned at that time.

Q.—Have you a copy of the letter? A.—Yes, this is a copy of it. There are two letters of Mr. Wilson and my reply.

Q.—This is dated 3rd March and you say that is 1904? A.—1904. That is a letter to me from Mr. Wilson, and the next one to it is a reply, covering my understanding of that transaction as I learned it in an interview with Mr. Wilson.

Q.—Mr. Wilson's letter to you of the 3rd March states "I think, I can, without inconvenience, arrange for some friends to take over the lands." (Reads.) That Montague matter has reference to another matter? A.—Yes, entirely another matter and not Dr. Montague at all.

Q.—Your answer is dated at Detroit 5th March, 1904. (Reads.) On the 26th March there is a reply from Mr. Wilson. (Reads.) Letters marked Exhibit 480.) That is a statement of the matter as you understand it at the time? A.—Yes.

Q.—Let us get it a little more in detail if we can. Did you understand who the vendors were that Mr. Wilson, Mr. Foster and Mr. McGillivray were dealing with? A.—No. I did not. I know now the Ontario Town Site Company was the name used then. I speak of it as the Ontario Land Company, but the individuals who were in that company, I do not know who they were. I have since learned, of course.

Q.—There was an Ontario company, known as the New Ontario Town and Farm Site Syndicate, Limited? A.—I have understood since there was



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such an organization; that is the present organization under a different name.

Q.—Did you understand that that syndicate, that company, had an organization but no property? A.—No, the impression I got was that they did have property, and that Messrs. Foster, McGillivray and Wilson had purchased a half interest in their property. As I stated in that letter, that was the understanding I got from the interview with Mr. Wilson. In reply Mr. Wilson says they had not paid anything. I supposed the purchase involved the payment of something and I used it in that way, and Mr. Wilson said there had not anything become payable yet and nothing had been paid, and they took over the thing.

Q.—Did you hear of Pope and Fowler in the transaction? A.—I did later.

Q.—And what was it you heard about them, when you did hear? A.—When I came here last year I felt, of course, a good deal of concern about this large investment. Under the resolution that was offered they are to take stock for such money as the Union Trust Company should advance. There had been up to a certain time last year that I investigated the matter of lands to fix the prices of the payment, \$337,000 or thereabouts advanced as payment upon the purchase price of these lands, for which \$337,000, if I have the amount correctly, stock of the Great West Land Company had been issued to the Union Trust Company. I ascertained then that this had been paid upon a contract to purchase that I think Pope and Fowler had with the Canadian Pacific Railway, and that under that contract there was a sum approximating half a million dollars more to be paid. Referring to the statement in Mr. Wilson's letter that at that meeting that had intervened between the time we had met and the writing of that letter, that there had been a resolution adopted on Mr. McGillivray's motion, supported by Colonel Davidson, to elect to take stock, and I want to say that that resolution was supported by Colonel Davidson, and I want to do him the justice to say that he says—and I have no doubt it expresses his view—that he supposed in offering that resolution that he was meeting my views. As a matter of fact it was not in accordance with my views, but I want to say that by way of explanation to understand that feature of it, the agreement

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originally provided that the Union Trust Company should advance money to buy this property, that they should have the option to treat that money as loan secured by a lien upon that property, or that they might elect to have stock for the investment. That left the matter simply in the situation that the four gentlemen who were interested in the Great West Land Company, constituting a majority of the Board of Directors of the Trust Company, were forced to take a position as between their personal interest and their interest as trustees, and I regarded that as an impossible situation or position for them to occupy. The election I stated had been made by resolution to take stock. The six months referred to in Mr. Wilson's letter, within which this property was going to be sold and we were going to have our money, which was a comparatively small amount up to this time, had passed, and a year more had passed, and instead of all the property being sold, none of it had been sold. It was all on hand, and \$337,000 had been paid, and we had half a million more to meet, and I insisted that if we were to advance any more money we must have a first claim on the property, not only for future advances, but for past advances, and that matter was discussed at future meetings, and finally was acceded to, and in the fall of 1905 the transaction by which stock was issued for the advances made up to that date was cancelled. The stock that had been issued was cancelled and retired, and a mortgage made, as I understood it, covering the advances already made and a sum sufficient to cover all advances that subsequently should require to be made and that was done. Now if you like I will state the transaction as I understand it was.

Q.—Start with the lands themselves. They were lands of the C. P.R.? A.—That I do not know. My information is that Messrs. Pope and Fowler had a contract by which they had the right to purchase 200,000 acres of land in the North-West.

Q.—At a price of— A.—\$3.50 per acre. They turned that property over to the syndicate upon a basis of \$4.50 an acre, or adding \$1.00 an acre to the purchase price.

Q.—The syndicate being Messrs. Foster, McGillivray and Wilson? A.—Yes. That syndicate in turning those lands over to the Great West Land Company added another 50

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cents an acre which was the equivalent of another \$100,000 for the \$200,000 that was represented by the added \$1 per acre to the \$3.50. I understood that the original syndicate, Pope and Fowler, or whoever they represented, got \$150,000 in cash, and that they took \$50,000 of that \$200,000 of stock in the Great West Land Company. When the syndicate, Foster, McGillivray and Wilson turned it over to the Great West Land Company, adding 50 cents an acre, the original syndicate claimed and were allowed \$5,000 by reason of the increased amount so that they got \$55,000 dollars of stock instead of \$50,000 of stock, and that left \$95,000 as representing the increased price added to it by the second syndicate. Of that increased price 337½ shares were transferred to the Union Trust Company and Dr. Oronhyatekha.

Q.—237½ and 100? A.—Yes, which I understood was to be a bonus, from subsequent investigation, practically the bonus to the Union Trust Company for undertaking the transaction; that is they were to get their money back, they were to get their interest upon it, and all expenses, and such proportion as 337½ would be to 1,500 of the profits that should be realized on that transaction for financing it.

Q.—Did you understand that that bonus, in the shape of stock, was secured to the Union Trust Company by the terms of a hard and fast agreement in writing? A.—I did, or by the resolution, that they were all parties to it. I am not sure. I suppose it was by agreement.

Q.—Then with regard to that, when the transaction took the form of a mortgage what became of that stock? A.—Well, it turned out that that stock was turned back to the syndicate, and that I appear on the records as fathering a resolution to take security for that and turn it back. Now, I do not want to charge anybody with having made an incorrect minute, but if I made any such resolution I never intended it and didn't know it. I supposed that was the consideration of the Trust Company for entering upon this transaction and that they had earned it by financing it and investing this large amount of money, and that there was no reason in exercising their right to have security, which they had a right to in the beginning to give back part of the consideration or the entire consideration.

Q.—We heard Dr. Oronhyatekha say this morning that he had never

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intended to transfer, nor did he suppose he had transferred to the syndicate, but he thought he had given it up for the good of the Order? A.—That came about by reason of this fact. The transaction was closed after Dr. Oronhyatekha had gone to India or started on his way. He went in October, this matter was not closed up till November or December. Mr. Lawless had a power of attorney from the Doctor to execute any papers necessary, and Mr. Lawless after his departure executed this assignment.

Q.—Then Mr. Foster, Mr. McGillivray and Mr. Wilson were really the Great West Land Company, or are you aware of that? A.—I understood there was quite an outstanding interest, that there was the interest originally in this \$50,000 of stock—

Q.—Did you not understand they got that in? A.—Well, I have heard in a very indirect way that Mr. Wilson had purchased the stock.

Q.—You have never seen the conveyancing in regard to that? A.—No. I never understood that Mr. McGillivray or Mr. Foster had any interest in acquiring that stock. I may be in error about that. I supposed it was a purchase by Mr. Wilson on his own account.

Q.—You were not aware then of the relation of Mr. Foster, Mr. McGillivray and Mr. Wilson in relation to the Land Company, that is as directors or managers, that is of being in a position of controlling there? A.—I do not think they three would control. My understanding is that there is a board of 7 or 8. I do not know as to that.

Q.—You do not know what common directors there are as between the Union Trust Company and the Great West Land Company? A.—Yes. I think I know that far. Mr. Foster, Mr. McGillivray, Mr. Foster and Chancellor Boyd were directors of the Union Trust Company and were like directors of the Great West Land Company. A majority of the Board of Directors of the Union Trust Company were directors of the Great West Land Company. There were 7 directors at that time of the Union Trust Company and those four included all but Dr. Oronhyatekha, Colonel Davidson and myself.

Q.—Then you are able to say from the investigation you have made what position these three gentlemen are in now with regard to the Great West

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Land Company, what they have, what holdings they have in it? A.—No sir.

Q.—You are not able to say? A.—Not able to say.

Q.—Are you able to say from the investigations you have made whether these gentlemen from first to last have put up any moneys in connection with the matter or whether the moneys have all been put up by the Union Trust Company? A.—My understanding is that every dollar has been advanced by the Union Trust Company.

Q.—And whatever their holdings are they have acquired by virtue of the use of the Union Trust Company's money? A.—That is my understanding of it. I would say I have made inquiry and the amount advanced under the mortgage which was taken for \$986,000, I think the largest amount advanced at any time, was \$958,000, and I think that is down now to something less than \$850,000—\$820,000, perhaps.

(The Commission then adjourned to 2 p.m.)

### AFTERNOON SESSION.

Resumed at 2 p.m., September 24th, 1906.

Examination of ELLIOT G. STEVENSON continued:

MR. SHEPLEY: Before Mr. Stevenson proceeds I have been furnished with a copy of the letter which Dr. Oronhyatekha sent to Mr. Wilson in respect to those 100 shares. It is dated 30th June, 1906 (Reads letter, which was filed as Exhibit 481).

Q.—I gather from what you said to us this morning that was quite in accord with your own understanding of the matter? A.—Yes.

Q.—That is the Doctor did not hold these 100 shares for himself personally, but as part of the consideration for the Union Trust Company entering into the transaction? A.—Entirely so, after the letter of March, 1904, where Mr. Wilson made some suggestion about disposing of it and I said I did not know how that might affect the doctor's interests. When the doctor returned I inquired of him about the matter and he said it would not affect the matter at all, as he had no interest in it at all excepting as representing the Union Trust Company.

MR. SHEPLEY: I expected the minute book of the Trust Company to be here in consequence of my conver-

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sation with Mr. DuVernet, but unfortunately it has not turned up yet. If Your Honors would wait for just a moment or two I think it will be here.

The minutes were produced.

MR. SHEPLEY: If Mr. Stevenson will step out of the box for a moment I will call Hon. Mr. Foster.

HON. GEORGE E. FOSTER, sworn, examined by

MR. SHEPLEY: Q.—You were the General Manager of the Union Trust Company? A.—Yes.

Q.—Your employment commencing with the inception of that company and continuing until when? A.—Commencing in June, 1901, and continuing practically until May, 1906.

Q.—I see at page 160 of the minute book of the Union Trust Company a minute with respect to the agreement to be prepared and entered into on lines laid down in the minutes between yourself and the company on the subject of your employment, do you recollect that or shall I read it to you? A.—I think I understand there was a minute, yes, I recollect that.

Q.—Was such an agreement prepared and entered into? A.—It was not.

Q.—No agreement was ever prepared; A.—Nothing more than a verbal agreement.

Q.—There was no writing passed between you and the company? A.—Nothing more than the letters you have read, and I do not think there was any letter to me, I think the agreement was made verbally at a conference between the doctor, Mr. McGillivray and myself.

Q.—Mr. Stevenson rather had an idea when we were asking him this morning that possibly you may have had some appointment from Dr. Oronhyatekha? A.—No, I do not think you could call it so; the Union Trust Company was not formed at that time, and Dr. Oronhyatekha and McGillivray saw me with reference to taking the prospective managership and talked it over in that way and the terms were verbally agreed upon, but no written arrangement was ever made.

Q.—And the terms embodied in this minute were the terms upon which your employment went on? A.—What are those terms?

Q.—That your salary should be at the rate of \$4,000 a year from the



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first January to the first March, 1902, and thereafter at the rate of \$5,000? A.—And the term?

Q.—An agreement to be prepared and entered into on these lines is all that the minute states? A.—Yes, that is correct so far as that goes.

Q.—Was there a term? A.—Five years.

Q.—From? A.—From the date of commencement of service.

Q.—That would be in June, 1901? A.—Yes. I think I had better say in connection with that that although the engagement was made on those terms there was an understanding that I was to have considerable freedom of action in two lines, first, that any businesses that I had become connected with previous to that I should be at full liberty to carry out, and secondly that I should have liberty for my public work up to the point of—

Q.—May I ask you were you in the House at the time the agreement was made? A.—No, I was not.

Q.—You say there was an understanding you should have liberty for your public work, meaning in the realm of politics? A.—In the realm of politics.

Q.—I do not use politics in an invidious sense, you mean in connection with the House of Commons? A.—Yes.

Q.—Were you even then contemplating seeking re-election? A.—Well, I do not know.

Q.—It was a possibility? A.—Whether I should say positively that I was or not, I don't know that it matters much—

Q.—You say you had that understanding? A.—Yes, I was perfectly free to enter politics at any time, run an election, go to the House of Commons and do my duty as a Member of the House of Commons in conjunction with this arrangement.

Q.—With whom was that understanding made? A.—With Dr. Oronhyatekha and Mr. McGillivray at the time, and understood by the Union Trust Company afterwards; I do not think there was any doubt as to that.

Q.—What position do you occupy in the Great West Land Company? A.—I am a director, and at the present time the Secretary.

Q.—Have you in your custody the books of the Great West Land Company? A.—The books of the Great West Land Company are of course the property of the company, and as Secretary I keep charge of them.

Q.—And they are in your custody as Secretary? A.—Yes.

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Q.—You have the minute book? A.—Yes sir.

Q.—You have also a stock book? A.—Yes.

Q.—And a stock transfer book, or are they just one book? A.—They are in conjunction.

Q.—And then have you also in your custody a certain agreement by way of option between the Canadian Pacific Railway and Pope & Fowler of the 24th April, 1903? A.—Yes.

Q.—Also an agreement with respect to that option between Pope & Fowler and the Union Trust Company of the 30th May, 1903? A.—Yes, that is if Mr. Cross has given them back to me? Has he? I may be swearing to something I do not positively know.

Q.—If they are in Mr. Cross' custody we won't have any trouble about them probably? A.—I think I will have them to modify my statements.

Q.—Mr. Cross tells me he has returned them? A.—That is all right.

Q.—Have you also in your possession an agreement of the 4th June, 1903, between certain persons who were interested in the New Ontario Farm & Town Sites Company, that company and yourself and two others? A.—Yes.

MR. NESBITT: Has that anything to do with it?

MR. SHEPLEY: Yes.

Q.—And an agreement of the same date between certain persons interested in the company I have last named for a division of certain interests between them.

Q.—You have that also? A.—I think so.

Q.—Then you have also a certain agreement of the 22nd June, 1903, I think, arranging for the distribution of certain stocks in the Great West Land Company? A.—An agreement between whom?

Q.—Between certain persons and the Union Trust Company? A.—Yes.

Q.—Then you have an agreement of the 16th December, 1904, between the Great West Land Company and the Union Trust Company as bankers? A.—Yes.

Q.—Have you certain papers covering the surrender transfer or extinction of certain shares to the number of 237½ and 100 standing in the name of the Union Trust Company, and in the name of Dr. Oronhyatekha? A.—Just put that question again.

Q.—Have you any papers or entries relating to the transfer, the surrender or the extinction of certain stockholding interests of the Union Trust Com-

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pany and Dr. Oronhyatekha in connection with 237½ acres and 100 shares respectively? A.—I do not think so except in the minutes and the stock transfer book.

Q.—Then you have also I think a certain instrument purporting to operate as a mortgage between the Great West Land Company and the Union Trust Company? A.—I have a mortgage, yes, at least I have a copy of it made in duplicate.

Q.—Then, with regard to these agreements I have to ask you the further question, are there any other books belonging to the Great West Land Company in your custody or other documents of any kind? A.—The books, the accounts, I suppose are in my custody as Secretary, although the Union Trust Company is the book-keeper of the company.

Q.—And the letter books? A.—I have none.

Q.—How did you conduct the correspondence? A.—Which correspondence?

Q.—The correspondence of the Great West Land Company or of the syndicate we heard about this morning? A.—If there are any letters at all that remain they may be found in the Union Trust Company, I have not them; there are very few letters.

Q.—Whatever letters there were either inwards or outwards will be found among the papers of the Union Trust Company, you say? A.—I have not them and I know of no place where they will be found.

Q.—Of course they were not so far as you are aware ever destroyed? A.—No.

Q.—With regard to the books and the documents of which you have told me you are in custody as Secretary of the Company, I ask you to produce those to this Commission? A.—I have no authority from the company to produce any books, and I would not care to do so unless I had the authority of the company, but I think I can say that the company would be only too glad to put in the possession of the Commission anything which is absolutely pertinent to tracing the security which I understand the Independent Order of Foresters hold in the shape of a mortgage held by the Union Trust Company on Great Western Company's land and assigned by them as a guaranteed security to the Foresters. I have no other wish, no other intention than to assist the Commission to get at what is legitimately the information that they need; beyond that I do not consider

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that I have any right to go, or that my company has any right to go.

Q.—Then to return to the question in the shape— A.—All the personal information that I have is at your disposal.

Q.—Taking the question in the shape in which I put it to you, you will remember, I ask you to produce the books that have been mentioned and the documents that have been mentioned so that they may be laid before the Commission, I want you to tell me what you are going to do about that? A.—I have framed an answer as explicit as I can make it.

Q.—Are the books here? A.—Not now.

Q.—Are the documents here? A.—I have not them.

Q.—Will you get them for us? A.—I will get them and deliver them in so far as they are indicated to me as being necessary to finding out to get the information.

Q.—Will you get the books and deliver to us the books which I have mentioned and the documents which I have mentioned, and which you have said are in your custody? A.—Well, I think I can go this far that I will give you all the documents mentioned that relate to the transaction between the syndicate, the divisions of land and the Union Trust Company; I think that takes in all that is pertinent.

Q.—If I understand the subject at all myself that covers everything that I have spoken to you about, and you have said you had, are you making any exception? A.—Yes, I am reserving the stock book.

Q.—You are not reserving anything else? A.—Nothing else, of the documents that Mr. Cross had in his possession that I presume you have seen; in doing that I think I am making a great concession.

Q.—We won't discuss that. I am sure you do not at all want to take the attitude that anybody in this country is above a Royal Commission? A.—Not at all, within the powers of the Royal Commission, but I suppose there are things that even a Royal Commission cannot do.

Q.—Within how long can we have the documents and books which you are willing we should have? A.—You may have them inside of fifteen minutes if I can get somebody to get them.

Q.—With regard to the stock book your answer is you decline to produce that? A.—I reserve—

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Q.—You decline to produce it—you say you reserve it? A.—I decline to produce it.

Q.—You decline to produce the stock book of the Great West Land Company before the Commission? A.—Yes.

Q.—If you will be good enough to get me the books and papers you were good enough to say you would let me have, for the present I will be able to get on.

JUDGE MAC TAVISH: All the books you have mentioned except the stock book?

MR. SHEPLEY: Yes; I did not intend to trouble you any further than to get the production of the documents?

WITNESS: They will be here in about ten or fifteen minutes.

MR. SHEPLEY: We will wait for them.

Q.—You do not desire any time to reflect with respect to your refusal to produce the stock book? A.—Well, reflection never is much of a sin and probably, although that is my idea very strongly, I might consult my counsel with reference to that; I do not profess to know it all.

Examination of ELLIOTT G. STEVENSON continued:

MR. SHEPLEY: Q.—I wish to read these documents, Mr. Stevenson, and probably at passages I may wish to ask you some questions? A.—Very well.

Q.—The first document is a charter of incorporation issued on 25th March, 1903, incorporating the New Ontario Farm & Town Site Syndicate, Limited, the share capital to be one million dollars, divided into ten thousand shares of \$100 each. The Head Office is to be at the City of Toronto and the provisional directors of the Company to be Mr. Boeckh, Mr. Diver, Mr. Dusseau, Mr. Vandusen and Mr. Kydd. The powers of the corporation were to purchase, lease, take in exchange or otherwise acquire lands or interest therein, together with any buildings and structures that may be on the said lands or any of them, and to sell, lease, and exchange or otherwise dispose of the whole or any portion of the land and all or any of the buildings or structures which are now or may be hereafter erected thereon: to take and hold mortgages for any unpaid balance of purchase money on any of the lands, buildings or structures so sold, and to otherwise improve, alter and manage the said buildings, provided however that except as to taking and holding mortgages, etc. (reads down to the words

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“become the property of another”). That is the first document in point of time.

Copy of charter of incorporation just read is in the minute book, which was filed as Exhibit 482.

The next document is an agreement made in triplicate 24th April, 1903. I should introduce it by saying this is the original option from the C.P.R. which was made the subject of the subsequent negotiations. It is between the Canadian Pacific Railway called the vendors of the first part, and Rufus Henry Pope of Cookshire, Province of Quebec, Farmer, M.P.P., and George W. Fowler of Sussex, in the Province of New Brunswick, Barrister-at-Law, M.P. (Reads.) Then there is a schedule of the land, 200,000 acres of land, attached to that.

Then the next document is the document of the 30th May, 1903. I am right in saying that there is no minute either in the Trust Company minutes or in the minutes of the Land Company with respect to—of course the Land Company we have not come to—there is no minute in the Trust Company minutes of this matter prior to 30th May, 1903.

We come to the agreement of the 30th May, that was an agreement which was between Mr. Pope and Mr. Fowler, they were called the parties of the first part, and the Union Trust Company, trustee, of the second part. The Union Trust Company is designated as trustee, and the office of trustee is plainly stamped upon the relation by the contents of the instrument itself. (Reads agreement down to the words “not more than \$5 per acre” on page 3).

MR. NESBITT: The Union Trust might be just the same as the National Trust or anybody else acting as agent.

JUDGE MAC TAVISH: Yes, that is so.

MR. SHEPLEY: (Reads the rest of the agreement).

Agreement dated 24th April, 1903, and 30th May, 1903, filed together as Exhibit 483. Copies may be substituted.

The next in order of time is a minute of the directors of the Union Trust Company on the 3rd June, 1903. The directors present were Dr. Oronhyatekha, Sir John A. Boyd, Hon. George E. Foster, Matthew Wilson, Lieutenant-Colonel McGillivray, and Lieutenant-Colonel Davidson. You



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were not present at that meeting?  
A.—No sir.

Q.—I am going to read the minutes to you and then perhaps I shall want to ask you a question or two about it: (Reads). "The Manager laid before the directors two propositions for investment in lands in the North-West which were approved in principle, the first in reference to the New Ontario Farm & Town Site Syndicate Land Company, and the second," is for something else and I will not read that. The other matter was something which does not concern this at all. "The first proposition was to loan to the Ontario Farm & Town Site Syndicate Land Company, Limited, capitalized at one million dollars on the security of the lands and assets, a sum of money not to exceed \$140,000 at a rate not to exceed 6 per cent. per annum. The Union Trust Company is to have the option of taking fully paid-up stock at par for the whole or any part of its advances and interest thereon; and is to receive in addition as a bonus 237½ shares of \$100 each par value of the paid-up capital stock of the company." In connection with the second proposition I won't read that.

Q.—Did you become aware of the existence of this minute before the time you made the enquiries you were speaking of this morning? A.—In the spring of 1904.

Q.—That is the time you put it? A.—Yes.

Q.—It was not until the spring of 1904 that you became aware of this?

A.—I cannot recall specifically the occasion of the discussion, it was either upon the report of the Inspection Committee or upon an application for the advance of a further sum of money. I was at a meeting when a discussion of the matter was precipitated, and I made inquiries that are referred to in my letter.

Q.—But at or about the date of this meeting, 3rd June, 1903, you at all events were not aware of what was going on in this connection? A.—Had not any information or knowledge at all until the spring of 1904.

Q.—If you had read this minute you would not have gleaned from it, or perhaps you would with your greater knowledge of the matter, would you have gleaned from it that these three gentlemen, Foster, Wilson and McGillivray, had any personal interest in the matter that is spread out upon the minutes? A.—I could not say: the first time the matter came up I

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learned they had a personal interest in it. There was nothing concealed about it.

Q.—There is nothing said about it in the minutes? A.—On the first discussion in which I participated, that was developed upon the statement of Mr. Foster or Mr. Wilson or Mr. McGillivray.

Q.—On the following day the transaction was advanced a stage by this agreement which I am about to read. This is dated 4th June, 1903, and there are three parties to it. The parties of the first part are George A. Shaw, James P. Murray, John H. Kydd, Whitford Vandusen, Henry J. Dale, Wilfred S. Dinnick—they are all of the first part; the parties of the second part are the New Ontario Farm & Town Site Syndicate Company, and Mr. Boeckh, Mr. Diver, Mr. Dusseau, Mr. Vandusen and Mr. Kydd, members of the said company, and they are all of the second part. Your Honors will remember that these five gentlemen named as parties of the second part are the original incorporators, as I read from the charter. The parties of the third part are the Hon. George E. Foster, Lieutenant-Colonel John A. McGillivray, and Matthew Wilson.

The first recital is that the parties of the third part—this is the first place at which the personal interests of these gentlemen are disclosed upon the face of the documents themselves, and the Union Trust Company is said to be a trustee in the last document I read, but for whom is not stated: "Whereas the parties of the third part are entitled to one-half interest in a certain right or option in lands agreed to be conveyed by the Canadian Pacific Railway Co. as vendors to Rufus Henry Pope and Geo. W. Fowler as purchasers, by agreement dated 24th April, 1903, which option was conveyed to the Union Trust Co., Limited, by said Pope and Fowler by agreement made the 30th day of May, 1903"—I pause there for a moment and ask you if you are able to explain now with the information you subsequently acquired what is the meaning of that, one-half interest in the option—who had the other interest? A.—Mr. Wilson's explanation of that was that that was transferred to the Union Trust Co., and that those 337½ shares issued to the Trust Company and its president represent a portion of that, and that there was a certain allotment above

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the 337½ shares to persons I do not know; I never ascertained who that was allotted to.

Q.—What is stated upon the face of this in the next recital is that some of the parties of the first and second part are entitled to the other half interest in the said option on lands, that is the old land company and its shareholders? A.—Yes. You recall in the letter I referred to that as I understood it the trust company acquiring that option of the other half became substantially partners with Messrs. Foster, McGillivray and Wilson in the transaction; that is the way it was stated to me at that time, and you will recall from my letter—

Q.—It is stated in a subsequent document which we will come to after a bit that the three gentlemen named were entitled to one-half and that the other one-half was divided into quarters, of which the Union Trust was entitled to one and these people, call them the old stockholders, to the other quarter? A.—Yes.

Q.—But it is a little different here. (Reads from agreement.) You are not perhaps familiar with this conveyance? A.—No.

Q.—If I have appreciated the language used apparently the intention of this document was to vest an outstanding half interest in the option, outstanding in the old shareholders, in these three gentlemen that you call the syndicate? A.—Yes.

Q.—And the Union Trust Company that was holding the option under the Trust Deed was relieved from all liability in respect of the option to these old shareholders? A.—Yes.

MR. SHEPLEY: This clause does two things. In the first place it provides for vesting the charter of the old company which then stood in the names of five gentlemen, in the syndicate, but upon terms that the five original shareholders were each to be entitled to \$100,000 worth of stock, just as they were up to that date in the company, and we will be able to see how that is carried out. Then the next clause says that the parties of the second part are to finance the whole matter, so as to be prepared to meet and make all payments required by the option hereinbefore referred to. (Reads clause.) That requires, probably, a little explanation. Your Honors will remember that turning the lands over from the three gentlemen who were interested to the company proposed, the Great West Land Company, there is this feature. (Reads clause.) Then on

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the same day your Honors will observe that the interest as between these old shareholders was undefined and left to be determined. They determined that themselves the same day by an instrument to which they are all parties, together with one person not named in the other document, Mr. J. W. Curry. This is a memo. of the 4th June, between Shaw, Murray, Vandusen, Dale, Dinnick, Curry and Kydd. (Exhibit 485.) Then the next is an important contribution to the literature upon the subject. It is a shareholders' meeting of the Ontario Farm and Town Site Syndicate, held at the Canada Life Building in the City of Toronto on the 11th June, 1903. (Reads Minute.) Then, Toronto June 10th, 1903, we have Mr. Foster's letter spread upon the Minutes. (Reads letter.) That was carried and a ballot was taken and the six gentlemen were elected directors of the company. Then the next is a notice signed by Mr. Foster of a shareholders' meeting of the New Ontario Company, the notice being dated the 12th June. The notice is spread out on the Minutes. (Reads.) Then by-laws relating to banking and borrowing money. Then by-laws relating to the execution of agreements. Then the sanction of a by-law to increase the number of directors to nine, and the election of such directors. Then agreement dated 22nd June with Hon. G. E. Foster. Then there is another date at the foot of the notice, 15th June, 1903. I do not think that is a question of any importance. That is a notice stating what is to be done at the meeting called for the 22nd June. Then on the 22nd June the first thing that seems to have been done is that the Directors had a meeting and that is the important meeting, because everything was then prepared for the shareholders' meeting. Toronto June 22nd, 1903, the directors met at 1.30 p.m. (Reads.) There is no doubt, whatever, that that was the agreement of the 22nd June to which I am about to refer, and which was submitted to the shareholders' meeting. Then, before I come to the shareholders' meeting, let me give your Honors the agreement A. which is referred to there, 22nd June, 1903. This, your Honors will observe, has its first authorization in the directors' meeting. (Reads.) Is that letter signed by Mr. Foster in existence?

MR. NESBITT: What is that letter?

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MR. SHEPLEY: Letter 8th June, 1903, addressed to the Company and signed by the Hon. G. E. Foster.

MR. NESBITT: I think it was read at the meeting.

MR. FOSTER: That is the letter.

MR. SHEPLEY: Q.—(Reads agreement.) Have you been listening to that recital? A.—I have been trying to follow it.

Q.—It is a recital that the owners have firstly become entitled to one undivided half share. They had arranged to procure for the banker an undivided quarter share and so on. Was that as you understood it? A.—That is as I understood it later.

Q.—I am coming to the time when you came to a knowledge of what had been going on? A.—Yes.

Q.—Then it goes on to say "and the owners became entitled to the last two undivided quarter interests?" A.—I cannot understand that. I cannot see how two separate parties could be entitled to the same thing.

Q.—And so far as we have seen by the Minutes and Agreement while there is an extinguishment of the quarter interest—or whatever the interest was—it was said to have been an interest of the old shareholders—there has been nothing that we have seen between the Trust Company and owners. (Reads down to the words "with only one-half paid up thereon.") Does that division of the proceeds of this transaction accord with what you were given to understand? A.—I never ascertained definitely how the other stock than the \$95,000 that was given to Mr. Foster, McGillivray and Wilson, the \$5,000 that was given to Pope and Fowler and the 237½ and the 100 shares—I never understood how that was disposed of.

Q.—And beyond that, taking for instance the 17½ to Foster, 10 to McGillivray and 10 to Wilson? A.—I did not know about that.

Q.—And the 10 shares to each of the other three directors, Boyd, Rogers and Scholfield—that you did not know about? A.—No.

Q.—Then the 3rd paragraph provides that the bank account shall be kept with the banker and so on. Then the 4th paragraph that the banker shall have the right. (Reads down to the words "allot such stock accordingly"). That was according to your understanding of what the right of the bank was? A.—Yes.

Q.—Paragraph 5 (reads paragraph.) I want to take this \$95,000 and just get that in order before I go any

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further. If you will take that and just follow me and see whether I seem to have deducted the proper conclusions so far as your knowledge goes; there is \$44,500 to Foster, McGillivray and Wilson; \$23,750 to the Union Trust Company; \$10,000 to the Doctor; \$10,000 to the old shareholders; \$1,750 to Foster; \$1,000 to McGillivray, and \$1,000 to Wilson, and \$1,000 each to Boyd, Rogers and Scholfield. That seems to make up exactly the \$75,000? A.—That is correct.

Q.—If you take the \$3,000 to Boyd, Rogers and Scholfield, and add it to the \$44,500, you make exactly \$47,500 or half of the \$95,000? A.—Yes.

Q.—It would appear then, as though these three gentlemen gave to the members of the new Company's Board, who were to have the appearance of being new blood, not concerned in the venture \$1,000 each of stock? A.—They gave or sold it to them.

Q.—Then, as your understanding was, the \$23,750 to the Trust Company and the \$10,000 to the Doctor, were all for the benefit of the Company? A.—Of the Trust Company.

Q.—And were part of the consideration for which the Company undertook the advances? A.—Yes.

Q.—And the \$10,000 to the old shareholders is accounted for, and the three gentlemen got for themselves, and not held in trust, \$1,750, \$1,000 and \$1,000? A.—Yes.

Q.—Then that agreement was brought before the shareholders, and that I take next, on the same day, the 22nd June, we have the directors' meeting at which it was formulated, and we have the agreement itself, and now we come to the shareholders' meeting? A.—Would you have any objection to noting how this is signed?

Q.—Let me see. I do not know that I observed that. Yes, I did notice that, but I omitted to notice it just now. It is signed by the New Ontario Company, by the hands of Boyd the President, and Foster, Secretary, and it is signed personally by Foster, McGillivray, Wilson and Scholfield. Then it is signed personally by Boyd. It is signed by the Union Trust Company by the hands of McGillivray and Foster, then the names of Dr. Oronhyatekha and Robert Rogers seem to be in pencil and do not seem to have been signed by them? A.—It is my understanding it never was signed by them.



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Q.—Then we have this meeting of shareholders on the 22nd June. The notice calling the meeting is spread out on the Minutes. (Reads.) That set of by-laws is in typewriting in the earlier part of the book, and there are one or two of the by-laws that I wish to call attention to. The first is the increase in the number of directors. Then there is a by-law—I do not think I shall trouble you to read it—which gives the directors very great buying powers. Then there is a provision for the Board of Directors allotting stock. Then a provision for the books. The Secretary is to keep a copy of the Letters Patent. (Reads Minute.) There was present Sir John Boyd, Matthew Wilson, George E. Foster, J. A. McGillivray, Robert Rogers and Mr. Schofield. Then 3 others are added, Fowler, Hope and Lefurgy. That makes 9. There were 6 elected at the prior meeting, and 3 more are now elected to make the 9—Hope, Fowler and Lefurgy. Then certain gentlemen are elected auditors for the Order at the modest remuneration of \$25 each. The agreement marked London of the 22nd June, was read and on motion was approved, sanctioned and confirmed unanimously. Then it was resolved that the directors be recommended to pay the President for all services in full per year the sum of \$300. Then the meeting adjourned. The next is the directors' meeting held after the shareholders' meeting and on the same day. That is found on page 102 of the Minute Book. Present were Wilson, Boyd, Schofield, McGillivray and Foster. Wilson took the chair. The minutes of the morning meeting were read and confirmed. The by-laws passed at the morning meeting by the directors were submitted at the shareholders' meeting were reported sanctioned. (Reads.) Then they proceeded to the election of officers. Sir John Boyd was elected President, Rogers First Vice and Wilson Second Vice. Then on motion it was resolved that the Standard Bank of Canada be appointed bankers of the Company, that the Bank be allowed one per cent. for all stock sold per the agency of the bank or its correspondents. One rather wonders at that after the elaborate appointment of the Union Trust Company as bankers with the requirement that they should furnish the money, but perhaps they were wanting another banker to sell their stock. (Reads resolution.) The Executive Committee seems to have been well select-

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ed having regard to the interests. Then on the 23rd June there was a meeting of the directors of the Union Trust Company. (Reads from Exhibit 487.) Then at this meeting of the directors of the Union Trust to which I have just referred there were present Messrs. Wilson, Boyd, Foster and Davidson. Then the next Minute was on the 9th July and there are contemporaneous minutes on that day of both companies. I read first from the Minutes of the Great West Land Company. At that time they were carrying on the Minutes, as they have since been written up, under the heading of the Great West Land Company, Limited, but it was not until the 21st July, according to a copy of an Order in Council found in this Minute Book, page 3, that the name was actually changed from the New Ontario Company to the Great West Land Company. This meeting was held on the 9th July 1903, pursuant to notice duly given. (Reads.)

Q.—Do you remember in the course of your inquiries hearing anything about that agreement which is said to have been prepared for direct conveyance instead of having it go the roundabout way? A.—No.

Q.—You do not remember hearing of that? A.—No.

Q.—After that was done had anything you heard change your view with reference to the essence of the transaction? A.—I think the essence of the transaction appears in the paper you have read already. I know of no change affecting the substance of that agreement.

Q.—Then there is a resolution which is important, "It was resolved unanimously that the company should execute, pursuant to the agreement with the Union Trust Company, all necessary bonds, debentures, etc." (reads.) That seems to be a resolution conferring a sort of floating authority to deal with the Union Trust Company from time to time? A.—The impression I got from that on reading it was that it was to place the officers in a position to act in the matter, whether the Trust Company concluded to take security for their advances or to take stock, giving the officers of the Land Company power to deal with it in either way.

Q.—And to deal with it from time to time? A.—Yes.

Q.—Then it was further unanimously resolved that the stock of the company shall be allotted and delivered

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to the Union Trust Company—(reads.) Do you take it that that adds anything to the terms of the agreement that I have been reading? A.—No.

Q.—Then it was further unanimously resolved that stock receipts and certificates shall be issued from time to time by the Secretary of the Company on applications made by proposed stockholders. Then a by-law was passed giving power to the committee composed of Foster, McGillivray and Wilson (reads by-laws.) That by-law is found in these minutes at page 20 entitled by-law No. 2. It authorizes the committee herein called the Executive Committee to do certain things for the company, and it is put in the form of a by-law. I need not read it. They have given the widest possible power. Then Mr. Foster reported that he had heard that Messrs. Pope and Fowler held 240,000 acres of land. Did you ascertain that that extra eight or nine thousand acres of land did find its way into the Great West Land Company? A.—I cannot recall.

Q.—Apparently from subsequent reports it was purchased? A.—Yes.

Q.—Then the Union Trust Company on the same day had a meeting of directors at which the same four gentlemen were present. Wilson, McGillivray, Foster and Davidson. Are you able to say were these meetings held at practically the same time, meetings dealing with the same subject matters in the two companies? A.—I knew nothing about the Minutes of the Great West Land Company.

Q.—The General Manager reported the agreement between Pope and Fowler and the New Ontario Syndicate, whereby Pope and Fowler conveyed directly to the Syndicate—(reads from minutes.) The syndicate referred to there is the syndicate, the New Ontario Company? A.—Yes.

Q.—“The General Manager submitted a form of assignment from the Land Company to the directors, which was unanimously approved.” Then the Minute deals with something else. That brings us down to the 9th July. I mentioned the same four as being present. I see it is not the same four. Colonel Davidson was not there? A.—I do not think Colonel Davidson was a director of the Great West Land Company.

(Adjourned at 4.45 p.m. on Monday, September 24th, till Tuesday, September 25th at 10.30 a.m.)

## SEVENTY-THIRD DAY.

### MORNING SESSION.

Toronto, Tuesday, Sept. 25, 1906.

MR. SHEPLEY: Before taking up the matter that we were engaged upon last night I desire to make a statement which I trust will reach not only the parties immediately concerned but others who may be in the same position. Subpœnaes have been served upon Mr. Fowler and Mr. Lefurgey, both of whom are concerned in the Inquiry, as we think, both of whom we think ought to be here. Neither of them is here, although the time has arrived at which they should be here. A gentleman representing Mr. Lefurgey is here and has seen me this morning and asked me when I wanted him. The subpoena was returnable this morning and Mr. Lefurgey ought to have been here this morning. With regard to Mr. Fowler it seems he has gone West and he has sent me a letter to the Commission saying that he will be back after a while or in a short time. That sort of thing I desire to state publicly cannot be permitted at all. When witnesses are subpoenaed they must be on hand. What steps will be taken with regard to the gentlemen who have disobeyed their subpoenas is another question, and I desire to give this public intimation to witnesses who are subpoenaed that they must obey the subpoenas or be content to have the result following from that position.

Examination of ELLIOTT G. STEVENSON continued:

MR. SHEPLEY: I think I have already told your Honors of the change of name of the company on the 21st July to the Great West Land Company. Then so far as the Land Company's minutes are concerned there seems to be a quiescence for a considerable period, and the next entry I find is on the 23rd February, 1904; how would that agree with the time at which you first became aware of the matter? A.—It would be about that time. The letter that I read is dated March 5th, and refers to a previous meeting which would be some time probably in the month of February.

Q.—On the 23rd February the directors of the Great West Land Company met and there were present Sir John Boyd, Matthew Wilson, Hon. George E. Foster, G. P. Scholfield. The chair was taken by Sir John Boyd and Mr. Foster acted as Secretary. “The annual report of the

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directors and the financial statement," etc. (Reads down to the words "meeting of shareholders"). In the course of your inquiries did you make any examination at all into the affairs of the Great West Land Company by looking at this annual statement or otherwise? A.—After the land that was acquired and the valuation of that land was the only investigation I made.

Q.—The statement itself is here and requires perhaps some comment: "Great West Land Company, Limited, financial statement for year ending December 31st, 1903": Receipts July 2nd, 1903, G. P. Scholfield, call on stock, \$800; August 22nd, G. P. Scholfield, call on stock, \$600. Then without date, Union Trust Company, Limited advance, \$148,086.31, making a total of \$149,486.31. Then the disbursements are as follows: July 11th, C.P.R., account purchase of lands, \$56,666.66. July 15th, C.P.R., account purchase of lands, \$5,000. August 24th, C.P.R., account purchase of lands, \$40. September 1st, Pope and Fowler, \$20,000. September 8th, Pope and Fowler, \$4,105.32. September 11th, Curry & Eyre, law costs, \$65. September 22nd, Hunter, Rose & Company, books, \$16. September 30th, Alexander & Cable, seal, \$3. October 1st, Pope and Fowler, \$20,000. November 2nd, Pope and Fowler, \$40,705.73. December 31st, Union Trust Company, interest on advance to date \$2,884.60; making the same total as the receipts, \$149,486.31. I do not know whether you are a book-keeper at all or whether you are like myself, very obtuse about book-keeping, but I would like to call your attention to some of these items and ask you whether you observe the method underlying this presentation of the account of receipts and disbursements; you see there is no balance, the receipts with the exception of Mr. Scholfield's little \$1,400 are solely Union Trust Company advances and the disbursements eat them exactly, including \$2,884 of interest paid to the Union Trust Company? A.—That would substantially accord with my understanding, that the Union Trust Company advanced substantially all the money that was advanced, and I only dealt with the account of the Union Trust Company against the Great West Land Company, showing the total amount of advances from time to time.

Q.—And it would seem also to indicate, apparently, if you will assent to that, that whatever money was

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used being taken from the Union Trust Company the disbursements were always equal to the receipts? A.—Oh yes; I did not understand they had any other resources, that came under the contract with the Union Trust Company.

Q.—The receipts were moneys taken from the Union Trust Company's coffers, and the disbursements were the disbursements of this very money, so that the receipts and expenditures exactly balance? A.—Yes.

Q.—Then there is one other minute of the meeting of directors of the 23rd February: "It was moved by Matthew Wilson, seconded by G. P. Scholfield, that if found necessary Hon. Mr. Foster be authorized to arrange with the Union Trust Company if possible, to meet any payments on the company's land and that the officers execute any necessary agreements for that purpose," and that was carried; was your attention ever called to that minute before? A.—I think it was the application for the further advances to the Board of the Trust Company that first brought my attention to this transaction.

Q.—That is the end of that meeting, and on the same date the shareholders annual meeting is held, 23rd February, 1904, and that is at page 59 of the minute book. The notice calling that meeting is dated 11th February and is as follows: "Please take notice that the annual meeting of the shareholders of the company, formerly New Ontario Company or syndicate, will be held at the offices of the Union Trust Company on Tuesday, February 23rd, 1904, at 2 o'clock p.m., for the purpose of hearing and receiving the annual report and electing directors, and for all other general purposes relating to the management of the company, and particularly for the purpose of considering, sanctioning and confirming or otherwise dealing with by-law number 2 passed by the directors on the 9th July, 1903, appointing an Executive Committee with power to perform the duties therein provided." Your Honors will remember the three gentlemen interested were the Executive Committee. There were present in person or by proxy Sir John Boyd, Matthew Wilson, George P. Scholfield, Hon. George E. Foster, Mr. Vandusen and the Union Trust Company, Limited, by proxy. The Union Trust Company, Limited, apparently at that time had been al-



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lotted shares? A.—They held I understand the 237½ shares.

Q.—Then the Chair was taken by Sir John Boyd, and Mr. Foster acted as Secretary. "The minutes of the last meeting of shareholders was read, approved, and signed by the Chairman. The annual report of the directors and the financial statement of the year was read by the Secretary and adopted as follows: "Then comes the report, preceding the annual statement to which I have already referred to. (Reads report on page 60 of the minute book, Exhibit 482 down to the words "Stock of the company at par.")

Q.—What stock do you take that to refer to, the \$50,000 and the \$100,000? A.—The \$50,000, that was part of the \$1 an acre, and the \$110,000, that represented the advance price of 50 cents per acre, that would be my understanding.

Q.—And it is adjusted to \$146,000 by reason of the shortage in acreage, that is as you understand it? A.—That would be my understanding from that.

Q.—"On July 21st the name of the company was changed by an order in Council of the Ontario Government to the Great West Land Company, Limited," etc. (Reads). Let me pause there for a moment to ask if 'in the course of your inquiry you heard anything of these 8,640 acres, how there came to be that in the hands of Pope & Fowler? A.—That was not specially called to my attention, but I ascertained there was in all a little over 200,000 acres, but I do not have in mind now that I recognize any distinction between the 193,000 parcel and the 8,000 parcel.

Q.—Of course you can draw a distinction now upon the documents as we have been going through them yesterday and to-day? A.—Yes.

Q.—I was rather inquiring about this, did you ascertain how Messrs. Pope & Fowler came to have these extra 8,640 acres? A.—I think probably I did, but I do not recall.

Q.—May I suggest, did you hear that in the course of their selection under the original option there was this number of acres that were culled or rejected? A.—No, I never heard of that.

Q.—You did not hear that? A.—No.

Q.—You did not hear at what price they had got these 8,640 acres from the C.P.R.? A.—I think it

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was referred to in one of the contracts yesterday, and whatever is in those contracts is what I found out.

Q.—So far as we have gone we have not yet seen anything as to the origin of the 8,640 acres? A.—That I do not know about except as appears in the record. Of course what appears in the records of the Great West Land Company I never had access to; I don't mean to say I was refused access but I did not inquire.

Q.—If that be so, and if these lands were taken over by the Union Trust Company, although culled, at the same price they were paying for the selected land, that fact was not disclosed at all? A.—No. The price is a little larger; that price is \$5 and the other price was \$3.50 originally.

Q.—And \$4.50 to Pope & Fowler? A.—Yes.

MR. NESBITT: That would be hardly right; any lesser quantity under the C. P. R. contract was to be \$5 and not \$3.50.

MR. SHEPLEY: My learned friend is not stating it quite accurately. If they decline to take the option and to take a lesser quantity they were to pay \$5, but if they took the option they were to have it all at \$3.50.

MR. NESBITT: But if these were outside lands, I suppose it would be all right?

MR. SHEPLEY: If they were outside lands.

Q.—The statement follows about this quantity of land that \$8,320 of the price of these 8,640 acres was to be paid in stock of the company at par, that would add to the \$146,000 stock which is mentioned in the earlier part of the minutes? A.—Yes.

Q.—Then the report proceeds: "The main line of the Canadian Northern Railway," etc. (Reads down to the words "correspondingly enhanced.") That does not seem to accord precisely with what you were informed, that is that the lands were about to be sold within six months? A.—No, that did not turn out to be the case.

Q.—At all events the information which was apparently then before the Great West Land Company and its promoters did not point to an immediate sale? A.—No; if you will recall that the letter in which I was given that information was dated just about that time, 5th March, or thereabouts.

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Q.—Then follows a paragraph in the report here which I desire to refer to: "The directors have not deemed it wise during the past few months to allow the company's stock to be placed upon the market," etc. (reads to the words "six per cent. interest")—that would be, of course, the loan from the Union Trust Company? A.—Yes.

Q.—"An offer has been made by the Executive Committee," etc. (reads down to the words "to easily finance the remainder without widening the present stock issue to the public"). Then follows the financial statement. Did you ascertain at all, or were you told at all, the particulars with regard to the expected early sale? A.—No, I was not.

Q.—Then after the financial statement they proceeded to pass by-law number 2 in these terms: "By-law number 2, passed by the directors on the 9th July, 1903, authorizing a Committee herein called the Executive Committee, to attend to certain affairs of the company between the times of the meetings of the directors therein was read, approved, ratified, confirmed and finally passed." Then a ballot was taken for the election of directors, and the elected directors were: Sir John Boyd, Matthew Wilson, Hon. George E. Foster, John A. McGillivray, Hon. Robert Rogers, George W. Fowler, M.P., Rufus Pope, M.P., A. A. Lefurgey, M.P., and G. P. Scholfield. Then after the shareholders' meeting there was a directors' meeting, which will be found at page 109 on the same day, 23rd February, at which Sir John Boyd, Hon. George E. Foster, Matthew Wilson and G. P. Scholfield were present, and then the election of officers took place, and the same President and two Vice-Presidents were elected as were previously in office, Sir John Boyd, Hon. Robert Rogers and Matthew Wilson. I will have to proceed with the minutes of the Great West Land Company and fill in from the minutes of the Union Trust afterwards. The next date to which I desire to make reference is the 16th December, 1904. Before I come to that, you did tell me perhaps in outline yesterday, but perhaps we can make it a little more specific now we have reference to date, we will just review the correspondence between yourself and Mr. Wilson before I put the next question. You had, as I understand you,

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first the conversation with Mr. Wilson upon the train? A.—Yes.

Q.—And on the 3rd March you received the letter which I read yesterday? A.—Yes.

—Reads again letter of March 3rd, Exhibit 480.

Q.—With the information that we have been gleaning since you handed me this letter yesterday, it would appear as though the intention suggested by this letter was to take the Union Trust out of the concern without a profit, just returning advances, leaving the three gentlemen who constituted the syndicate in possession of the profits which they were then in possession of? A.—That was the suggestion of that letter as I interpreted it.

Q.—On the 5th March, 1904, this was your reply (reads down to the words "would not want to give him any worry"). (Letter part of Exhibit 480.) A.—Permit me to interject there what I intended by that was I did not know whether Dr. Oronhyatekha had paid for his stock or that he held it for the Trust Company.

Q.—You were not aware what his position was? A.—I knew nothing about it, and therefore was not in a position to accept or act upon the suggestion.

Q.—(Continues reading letter.) "And in his present condition of health would not want to give him any worry." (reads down to the words "combined with some others in the North West Land Company's land.") That would indicate, would it not, that the understanding you got from the verbal statement made by Mr. Wilson was quite at variance with the facts as they now appear? A.—As to the division of lands or there being other lands I think I had a misapprehension about that, and it was not corrected in Mr. Wilson's subsequent letter either.

Q.—That I observe, there is no correction of that. You were not aware that Mr. Foster and Mr. McGillivray and Mr. Wilson had purchased an option from Pope & Fowler at that time? A.—No.

Q.—But you were under the impression they were buying into the Ontario Land Company, which already had lands? A.—I supposed to purchase meant they were paying something for it, that was the understanding I had at that time.

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Q.—And then this clause: “And that by a division of the Ontario Land Company’s lands other parties took as you regarded undesirable or left desirable lands in Ontario, and the interest of yourself, McGillivray and Foster was combined with some others in the North West Land Company’s land”—explain what it was you did understand? A.—It was said there were some lands in Northern Ontario, there was not any more specific reference to it than that, but the impression I got was that they were not as available for sale or as desirable for sale as the wheat lands, as we call them, in the North West, and therefore they had made a very advantageous arrangement in the division, securing the North West lands that were saleable and desirable, and the other parties in interest taking the less desirable lands in Northern Ontario.

Q.—Whatever facts may hereafter be developed so far there is no foundation for that in any of the documents we have examined? A.—No. I think however it is the fact that the Ontario Land Company had some water rights or something of that sort in Northern Ontario instead of lands, perhaps lands in connection with the water rights.

Q.—That perhaps will develop as the Inquiry proceeds, if there was anything in that at all. Then your letter proceeds: “I further got the understanding that the interests thus segregated was one-half interest in the North-West Land Company’s lands, and that you three had paid for this one-half interest, and you had assisted Mr. Foster to carry his interest, or rather were carrying his interest?” A.—That was the understanding I got from Mr. Wilson, in other words that Mr. Wilson was financing Mr. Foster’s interest.

Q.—And the understanding that you had was that they were in it with their own money? A.—That was my understanding of it.

Q.—“That then the opportunity was presented to purchase the interests of the owners of the other half interest, and that the Trust Company purchased this interest thereby becoming practically partners with you, Mr. Foster and Mr. McGillivray”—we see how that was, the documents do not dovetail together, in one place it is called a half interest and in the other place it is called a quarter interest? A.—Yes.

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Q.—“Understanding the transaction in this way I saw no objection to it, but as the matter was discussed at our meeting it was evident I had obtained an erroneous understanding of the transaction.” That was a meeting held before this letter, and therefore a meeting of the Union Trust Company to which we have not yet arrived in the minutes? A.—As I said yesterday my recollection was that it was at a meeting either at which an inspection report was made referring to the investment that the Union Trust Company had made for the advances up to that date, or application for further; from the reference in the Great West Land Company’s minutes we read this morning I would be of the impression now that it referred to application for further advancement.

Q.—Then you had become aware at that meeting that the funds of the Union Trust Company were being used for the purpose of furthering the transaction? A.—I understood at that meeting the money was being advanced by the Union Trust Company in furtherance of this transaction.

Q.—You had got the undersanding, or you had cleared up the misunderstanding that existed previously in your mind that these three gentlemen were finding their own money? A.—Yes, I got that from Mr. Wilson’s reply to that letter.

Q.—“Understanding the transaction in this way I saw no objection to it, but as the matter was discussed at our meeting it was evident that I had obtained an erroneous understanding of the transaction, and as I then understood it did not seem free from objection, and as you will recall I pointed out features that appeared to me to be objectionable”—I do not think you omitted to tell us yesterday what objectionable feature you pointed out from your standpoint? A.—From my standpoint the objection was to the directors dealing with funds under their control in their own interest, and from the beginning to the end I opposed any such proposition as that. It seemed to me it was inconsistent with the duties of the directors who were simply trustees for those funds to use them to their own profit. I understood that was the rule of law that was perfectly settled, and that they had no right to do that, and when the pro-



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position was suggested I pointed that out.

Q.—Do you remember at the discussion that took place at the meeting what answer was made to your protest and your statement of objection? A.—A statement was made that the matter at the outset had suggested itself to one or more of the gentlemen, and they had given it sufficient thought to refer it to the Chancellor and Mr. Wilson, lawyers on the Board, to see whether it was free from objection, and that the matter was finally undertaken after they had approved of it.

Q.—Mr. Wilson's attempt at speculation was referred to him— A.—Yes, and that is what I referred to in that connection that it was a matter of a good deal of embarrassment. An intermission.

WITNESS: I started to say that is what I referred to in stating it was a matter of considerable embarrassment for me to undertake to criticise or interfere with matters that had been approved of by such distinguished men as were on that Board.

Q.—It perhaps occurred to you that if Mr. Wilson wanted to be advised as to the propriety of the transaction it was perhaps not very fitting he should be upon the Committee of advising? A.—I came to wonder whether the laws of Canada were so at variance with the laws of our country as to permit that sort of thing.

Q.—Was that the only answer that was made to your objection? A.—And the answer that the matter would be closed up very promptly, the railroads were building through it, and there would be immediate demand for it, and that the difficulties would settle themselves in a very short time.

Q.—That was not meeting the foundation of the objection at all?

A.—No. Of course in that connection a specific objection I pointed out was that there was an option upon the part of the Trust Company to take stock for the advances it made or to take security for it. Now then the four gentlemen who were a majority of the Board of Directors of the Trust Company would have to decide whether the Trust Company, or could decide whether the Trust Company, should take stock or take security. If the situation should result that the property that was going

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to cost \$900,000 sold for a million and a half there would be \$600,000 profit, and they would have to say, "We will give the Union Trust Company \$600,000 and take it out of our own pockets." On the other hand, if this property that cost \$900,000 should sell for \$600,000 and there should be a loss of \$300,000, all the money of the Trust Company, they could decide that the stock should participate, we should take stock for it, and therefore they would take part of the proceeds of our money. It seemed to me that was a wholly improper situation.

Q.—It was, if one wants to use a temperate expression, at all events putting them in the position of being able to determine both for themselves and in their own interests and either for or against the interests of the Trust Company? A.—If they protected the Trust Company they must necessarily take money out of their own pocket; if they protected themselves they would do it at the expense of the Trust Company, and that I regarded as an inconsistent position for gentlemen to occupy as trustees.

Q.—Were you overborne in the objections you were making, or how was it left at the conclusion of the meeting? A.—They thought they had left the matter apparently, as you will note from Mr. Wilson's letter, by having the Trust Company exercise its option at the outset, and they offered a resolution as stated in Mr. Wilson's letter, that the Trust Company should take stock for its investment and not security.

Q.—Does it occur to you that that was open to being undone again by the very same gentlemen, as indeed it was? A.—There is no question about that. I will say further, there were some of the gentlemen who were not lawyers who could see no difficulty apparently in that situation; they thought if they were giving good security they might just as well borrow from the Trust Company they controlled as from anybody else.

MR. NESBITT: I think they are not singular on either side of the line as to that? A.—There is no doubt that is a very common practice, but a very improper one.

MR. SHEPLEY: The letter proceeds: "Now, I think you will understand I never entertained for a moment," etc. (Reads to the words "because of their interest in the North

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West Lands Company.") That is minimizing but it is not going to the root of the matter at all? A.—No; there was still the further objection that they could change that situation even though they should take it once.

Q.—And at that time all the moneys had not been advanced? A.—No. There was only about one-third of the total advance that had to be made had been made up to that time, less than that, I think one hundred and forty odd thousand dollars.

Q.—\$149,000 was shown by the last preceding statement? A.—I think to November, 1905, the total advances were about \$330,000.

Q.—Your letter proceeds: "In the event of it being decided to elect not to take stock for the investment," etc. (Reads to the words "Kamloops lumber transaction.") A.—I simply meant by that—

Q.—Take your risk, if you are going to have your profits take your risk? A.—If Mr. Wilson, Mr. Foster and Mr. McGillivray were going to take the proceeds they should guarantee or become personally obligated, up to that date, and in fact throughout the whole risk and whole burden was on the Trust Company.

Q.—"Now you can easily understand it is a very embarrassing matter for me to urge any particular course of action," etc. (Reads to words "at our next meeting.") To that came this reply, which we will deal with a little more in detail now that we have the facts down to the date we are discussing: "I did not reply to your letter of the 5th March because I hoped to see you on my way to Toronto," etc. (Reads down to the words "to raise his share.")

Q.—It occurs to one to pass this comment, and that the comment is not unfair, that so far as the Minutes disclose the Union Trust Company had become bound to the transaction by covenants to pay purchase money before the matter was before the Union Trust Board at all? A.—I think it was before—was it not before the Board had a meeting at which Mr. Foster, Mr. McGillivray and Mr. Wilson and Mr. Davidson approved of it?

Q.—That was after the agreement of May 30th? A.—It is possible. I have not followed it in my recollection.

Q.—And, of course, if I am not in error in putting that as a fact, then the binding of the Union Trust Com-

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pany, prior to the action of the Board of Directors upon it, was the executive act of these very gentlemen, or those whom they controlled? A.—Of course the records speak for themselves. I would prefer not to say.

Q.—Then I will leave it so. Mr. Wilson continues: "I mention this merely to show that at the time" (reads) I do not want to leave anybody under a misapprehension, and I want to be sure in what I have just put to you. The first minute in the minutes of the Union Trust Company is on the 3rd June. That is the very first Minute of all. The matter is not referred to up to that time? A.—Does not that refer to June, 1903?

Q.—Yes? A.—This letter is 1904.

Q.—Yes, I know. I am speaking of the position taken by Mr. Wilson, that when they first took hold of the matter they did not intend to trouble the Union Trust with it at all? A.—I see.

Q.—When they took hold of the matter was the 30th May, and to the agreement then prepared the Union Trust Company was made a party, and the Union Trust Company undertook all the obligations of carrying out the option? A.—What date was that? 1903?

Q.—Yes? A.—Yes, that was my understanding.

Q.—That was four days before the meeting of the Board of Directors at which the matter was considered. Then we will just go on with the letter, "that it was only when we got the option on the other interests that we decided to bring that and hand it over without any profit, to the Union Trust Company, and I was merely a consenting party then." What interest was that? A.—They first acquired an undivided half interest from Pope and Fowler; the other undivided half stood in Pope and Fowler. That was taken to the Trust Company, and they became the purchasers of the other undivided half. That is my understanding.

Q.—That is something Mr. Wilson will be able to clear up for us, but you will recollect that in the dealing with the old shareholders of the New Ontario Company, the half interest never was spoken of. That seems to me was what was being referred to. "That it was only when we got the option on the other interest"—but they got the option on the whole interest on the 13th May as far as Pope and Fowler were concerned? A.—It was presented in

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that way, that they only had an option on the half interest, and they tendered the other half interest to the Trust Company and the Trust Company accepted it, and they practically in that way became partners at the time.

Q.—However that may be, so far as the documents at present produced disclose, the transaction between them and Pope and Fowler was that they purchased the whole option at an advance of \$200,000? A.—That appears to be according to the papers you have read here.

Q.—And then that was to be transferred to the new company at an advance in favor of the three gentlemen of another \$100,000, of which \$5,000 was given to Pope and Fowler? A.—Yes.

Q.—I am quite unable to understand what he means when he says "when we got the option on the other interest we decided to bring that and hand it over without any profit to us to the Union Trust Company." (Reads down to the words "giving up the interest to them.") A.—Perhaps I should say in that connection—it does not appear in that letter—but Wilson told me he had made arrangements to borrow the money necessary to carry it through at  $4\frac{1}{2}$  per cent.

Q.—He did not go into details at all? A.—No.

Q.—"However I heartily agree with you in the proposition that the directors ought not to place themselves in the position" (reads down to the words "and it is now closed.") We have your testimony about what gave rise to your objection. Then Mr. Wilson closes the letter, "of course I do not think, under any condition, that this transaction was in a similar position to the Quebec one, because as to this transaction as to the one half interest, we had that before the Union Trust was ever thought of in the matter, and as to the other we turned over the whole without profit to us?" A.—I could not distinguish between the two and Mr. Wilson did.

Q.—Unless there is something we have not seen, and that has not been disclosed to us, the statement that they had the half interest before the Trust Company was ever thought of, is not accurate, unless there is something we have not seen or heard? A.—Well, according to the papers I would understand the transaction that they had the option to the whole of the interest and that they turned it over at a profit.

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Q.—And that they had that option contemporaneously with bringing the Union Trust Company's money into it? A.—Yes.

Q.—Or engaging the Union Trust responsibility? A.—Yes. Of course the papers themselves I did not see until last year when I came to investigate the matter.

Q.—Then while we are waiting for the Minute Books of the Union Trust Company, we will try and utilize the time as well as we can—

MR. NESBITT: There is an answer which was given yesterday which I would like you to read to the witness. The "Mail and Empire" has misreported the proceedings. Dr. Montague complained of the report which appeared in the papers.

MR. SHEPLEY: At page 7240 of the official stenographer's report appears the account of the Montague transaction, and Mr. Nesbitt points out that Dr. Montague complains of inaccuracy in the report, and of course we are interested in having it just as you said it and just as it was. You are made to say this:—

"He thought it would enure to very great advantage to the Order to carry out the original plan, and the other was really upon my suggestion that we wanted to unload the lands and get out of the land business entirely. We had an interest in nearly 400,000 acres of land, and I had reached the point, so far as I was concerned, that we wanted to unload just as quickly as we could, and regarded that as the quickest and best agency for doing it as to that particular part of the land."

That is what you said? A.—Yes.

Q.—And that is accurate? A.—Yes.

MR. NESBITT: He only bought 123,000 acres? A.—He only became concerned in the 123,000 acres.

MR. SHEPLEY: Q.—The stenographic report is right? A.—Yes. And he became concerned in that. I want to emphasize, not at his suggestion or desire; he desired to go along with the original arrangement, and thought it would enure to the advantage and profit of the Trust Company to do it; and he took up the purchase of the other lands really to help us out; that is by way of making sale. I notice that the papers also got the names all confused. I do not know if the record does. Dr. Montague's associates were Kitson, they have it Kitteridge in some papers. Mr. Grantham they have Jackson I think.



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MR. NESBITT: That is a well known name in the country, it is somewhat popular in the newspapers.

WITNESS: It is a famous name in our country.

MR. NESBITT: It is not Stone-wall.

MR. SHEPLEY: Then, Mr. Stevenson, after the date at which the matter has now run, the date at which the Union Trust Company was put in the position of electing to take the stock—from that date down to December of the same year, what was doing in the matter? Anything? A.—What year?

Q.—1904, the same year; that would be from March to December? A.—I have no recollection of having the matter brought to my attention again, until after I came here the 1st January, 1905.

Q.—Before you come to that we will take up what was done on the 16th December, 1904. That is the first in order of chronology. On the 16th December, 1904, the Great West Land Company of the first part and the Union Trust Company hereinafter called the Banker of the second part, entered into the following agreement. There is no minute, I may say to you, in the books of the Great West Land Company, prior to this agreement. I am reading it strictly in the order of its dates and this is a very important document. Whereas on the 22nd day of June, 1903, a certain agreement was entered into between the Hon. George E. Foster of the first part and the said banker of the second part and Dr. Oronhyatekha and others of the third part and the New Ontario Farm and Town Site Syndicate of the fourth part (reads agreement.) Now what do you understand that agreement to be intended to bring about? A.—Acting under the resolution of June 1904 to elect to take stock for advances in payment for advances, that the stock should be allotted, and that that should satisfy all claim of the Trust Company against the Great West Land Company for the amount of the advances. That I understand to be the object.

Q.—That is what had happened in the previous March according to the recital in this agreement. The Trust Company had elected to take stock, and I call your attention to the language of the recital, "had elected to take stock not only in respect of advances then made but in respect of advances thereafter made from time to time?" A.—That is it.

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Q.—That is the Trust Company had elected, once and for all, so far as their action was not subject to be reversed by their Board, had elected to engage in the enterprise to the extent of the advances? A.—To become practically partners in the proposition.

Q.—Then the subsequent recitals in this document point out that from time to time advances are made in anticipation of the allotment of the stock and that it is intended to secure those? A.—Yes. Well, I know that up to November or December of 1905, as my recollection serves me now, there was \$337,000 or an increase from the fall of 1904 to 1905 of about \$200,000. I think you read from the resolution it was \$148,000 down to December 1903, and I think down to the fall of 1904 it had increased to about \$337,000.

Q.—The advances down to the 31st December, 1904, this agreement being made the 16th December; so that they probably would not be quite so much, were, according to the statement of receipts and disbursements, and treating them in the same way the other statement was treated \$497,000—A.—It is larger than I thought.

Q.—I am wrong. Mr. Cross says it was \$333,000? A.—That would be in accord with my recollection.

Q.—The figure I have included the bonus stock? A.—Yes.

Q.—\$333,000 was about the state of this account when this agreement was made? A.—Yes.

Q.—For the future this opens the option again to the Trust Company? A.—Yes.

Q.—For everything in the future? A.—Yes.

Q.—They may either elect to have stock in the future according to the agreement of March, or they may elect to have security? A.—Yes.

Q.—Was that in contemplation when you were discussing with these gentlemen in the previous March the desirability of the election being made at an early period? Was that in contemplation that that election should be open? A.—It distinctly was not, for it seemed from my standpoint that it left them in a position in which they could not act, either fair to themselves or to the Trust Company under certain contingencies, and that could not be an open question.

Q.—Then, to the extent to which this agreement, if my construction is correct, to the extent to which this

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agreement opens up the option and leaves these gentlemen on the Board still open to deal with the option, it is open to the same objection? A.—It is open to the same objection as I pointed out before.

Q.—Mr. Nesbitt has pointed out another view which might be taken of it— A.—I had not supposed that that question was opened up again.

MR. SHEPLEY: I am not interested in one view of it alone, and I am glad to have suggestions. "The banker hereby agrees with the Company upon payment of" (reads down to the words "as securities aforesaid"). That is rather to the contrary of my learned friend's theory about it? A.—I would rather he and you would settle it.

MR. NESBITT: Apparently that was what the writer had in his mind, whether he carried it out or not.

MR. SHEPLEY: But the banker is bound to re-convey if they pay the liability.

Q.—That agreement, I suppose, you were not aware of until recently. (Exhibit 488.)? A.—It did not come to my personal attention until much later.

Q.—Now then we will revert to the Union Trust Minutes. (Exhibit 487.) Were you familiar with what was going on, say in February 1905 with regard to the matter at all? A.—Yes, I ought to know all about what was going on in February 1905.

Q.—What, at that date, was the situation of the matter so far as you are aware? A.—My understanding was that we were committed by contract to carry out the option for the purchase of these lands under the arrangement that had been made practically at the outset. We had advanced a large amount of money, and there were other large amounts of money that remained to be advanced. That was my understanding of the matter in general.

Q.—Then I will deal with that from the standpoint of the land company to whose minutes I am able to refer. On the 28th February the Directors held their first meeting for a year, or a little more than a year. The Directors of the Great West Land Company do not seem to have met from the 23rd February, 1904, to the 28th February, 1905. On the 28th February, 1905, a meeting was held. The gentlemen present were Mr. Foster, Mr. McGillivray and Mr. Wilson, the three members of the syndicate and the three members of the Executive Committee. The Minutes of the last

meeting were read and approved. The Annual Report of the Directors was adopted and ordered to be presented to the Annual Meeting of the shareholders. That is all the business that was done at that meeting, and we go to the Annual Report. This differs in some respects from the scheme of the Annual Report of the year before, and your Honors will see in a moment how that is. Your Honors will remember that in the year before they had treated their receipts as being the \$1,400 paid by Mr. Scholfield, on account of his stock and the loan from the Trust Company, and they treated their expenditures as being just exactly what they had paid out through the hand of the Union Trust Company. This year the statement is put in a different shape, and probably correctly so because of the intervention in the meantime of this arrangement with regard to the capital stock. The capital stock \$497,020; the Union Trust Company, Limited, advances \$73,58; disbursements under the head, New Ontario Farm Site Syndicate stock \$100,500. I do not know that I need trouble you to give your assent to that, but it is convenient for the sake of going upon the notes. The scheme of the thing was that that \$100,500 of syndicate stock is the \$95,000 that belonged to these gentlemen subject to the division, the \$5,000 that went to Pope and Fowler, and the \$500 that went to the shareholders of the New Ontario Company? A.—That would all seem to be so.

Q.—And that \$100,500 is included in the receipts of \$497,020? A.—Apparently.

Q.—The next item paid to C.P.R. for principal and interest \$237,000. Then comes Pope and Fowler's stock, \$63,320. We get that by the \$50,000, the \$5,000 and the \$8,320? A.—That is a debit on account of stock.

Q.—Yes, that is stock that they have handed over to Pope and Fowler, \$53,000, making a total of \$116,000 to Pope and Fowler. Then there are some expenses, taxes and the grading of the lands, interest on advances less discount, some salaries and law costs, making the account balance, but making the balance of the advances going back to the receipts \$74,58? A.—Yes.

Q.—There is also in the statement an account of the assets and the liabilities and the general scheme of that is indicated by the items of assets; Land 202,577.49 acres. That is

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not extended but under it are put these sub-heads; Syndicate stock \$100,500; C.P.R. \$709,021; Pope and Fowler \$145,453.12. (Reads items.) That would seem to be intended to include as an asset in the value of the land not only the amount actually paid to Pope and Fowler in cash, not only the amount paid to the C.P.R. in cash, but also the stock distributed to Pope and Fowler, and the stock distributed to the syndicate, and that makes the lands, totally apart from interest, axes, grading and sundries, which might be added, \$1,022,944.33. That is their asset. It has cost them that in meal or in malt, in land, money or stock. To that are added sundry items of expenditure which are found in the disbursements, and the total then of their assets being the value as we have noted hitherto of their lands \$1,066,748.32. Then, as against that the liabilities are the balance due on the land \$569,654.74; the bank advances \$73.58, and the capital stock \$497,020. Then I take up the Minutes of the shareholders' meeting at which this report was considered. It is at page 63 of the Minute Book, and the shareholders who were present were Mr. Foster, Mr. Wilson and Mr. McGillivray; no other shareholders present. Matthew Wilson, K.C., Vice-President, took the chair, and the Hon. G. E. Foster acted as Secretary. The minutes of the last General Meeting were read and confirmed. The Annual Report was read, "the directors of the Great West Land Company, Limited, beg leave to submit the following report (reads report down to the word "the Great West Land Company will contribute its share"). That refers to a descriptive property covering not only the lands which the Great West was interested in, but also these lands? A.—Yes. All the lands of the Great West Land Company and the Union Trust Company were marked on one map, I think with differing colors, perhaps not, perhaps with the same colors.

Q.—Then follows the financial statement which I shall not go through. Then follows the election of directors, and the same nine gentlemen are elected. Then on the same day at page 111 the directors met, Mr. Foster, Mr. McGillivray and Mr. Wilson, and the same gentlemen are re-elected to office, Sir John Boyd. Hon. Robert Rogers and Matthew Wilson. Then there is an item; the solicitors' bill was presented and it was referred to Messrs. McGillivray and Foster.

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Then on the 20th May, 1905, the directors of the Great West Land Company again met. That is at page 66 of the minutes, and there are present the three members of the syndicate and Mr. Scholfield. Then there is a minute here—I will pass that over with a question—the proposition was made for the leasing of certain sections of land for use by Eugene Coste. The application was considered and Mr. Coste, being present, was conferred with, and it was resolved that a separate privilege be granted for each of the sections—(reads.) The conditions of the lease were agreed upon and the lease was to be settled by the solicitors of the company. Did you know anything about that? A.—No.

Q.—Do you know whether anything came of it at all? A.—I never heard of it at all.

Q.—Do you know whether anything came of it at all? A.—I never heard of it at all.

Q.—I have not explained the word "grading." I suppose everyone knows what grading means? "Whereas the Great West Land Company requires advances for the purposes of the Company not exceeding \$9,000, therefore resolved that debentures be issued by the Great West Land Company not to exceed \$9,000 (reads.) were you aware of that movement from the Great West Land Company, of which these three gentlemen were the Executive Committee, were you aware of that movement for reconverting that transaction so far as the Union Trust Company was concerned? A.—I knew of a movement in that direction, but I did not suppose it started as early as that, but my memory was probably at fault in that.

Q.—The \$9,000 here is not a fresh advance, but it is a sum including past advances? A.—It was our desire to have the matter take the form of a security, not only for any further advances that should be made, but as to all advances that had been made, and not stand as the holders of stock, and the matter was discussed at various times, and this view was finally assented to by the gentlemen who were directly interested on the side of the Great West Land Company, and was finally consummated, although it was considerably later before it was consummated.



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Q.—I take it from what you say that according to your recollection—and no doubt you are quite right—the movement to put the matter back into the old position of holding security, and not holding stock originated with the Trust Company? A.—Yes.

Q.—With those who were in favor of your policy in the Trust Company Board? A.—In 1905 Dr. Oronhyatekha went away early in the year, and before going away he sent a communication to the Trust Company, to the Board of Directors of the Trust Company, in substance stating that it was his desire that I should supervise all the interests of the Trust Company in the North-West, including the timber interest, and in pursuance of the responsibility which was put on me in that connection, I discussed the matter with Mr. McGillivray, Mr. Foster and other members of the Board, and indicated a desire to assume the position of simply a lender, having security for our money. In the meantime the grading of the lands had developed to such a point as to indicate that they were worth approximately \$8 an acre according to the reports of disinterested parties that had been employed to grade, which was simply to examine each section of land, or quarter section, and report its condition and its value, and we wanted to assume the position of having security for our money and not have stock for it.

Q.—Before you pass from that, was it intended at that time—was it included in what you speak of as stock which you did not want to hold? Was this bonus stock, the 237 shares, included? A.—No, I thought we had earned that by the advances we had made, as far as I was concerned, although I attached very little importance to it. I think at that time we became somewhat concerned about the principal rather than about the profits, and I wanted to secure the principal, that was the first consideration.

Q.—Let me press you a little about that? A.—Pardon an interruption. You speak of my policy. The policy in this regard was my policy only after I had conferred fully with Mr. McGillivray and Dr. Oronhyatekha as representatives of the Trust Company and they quite approved of the position I subsequently took, and it was in pursuance of the policy that we

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had agreed upon after discussing the matter that I urged this policy.

Q.—I speak of it as your policy for convenience sake, because you were independent as far as the Land Company was concerned? A.—Yes.

Q.—And I am speaking of the policy of those who were independent of the Land Company? A.—Yes, Mr. McGillivray quite agreed with the policy from the stand point of the Company and from the standpoint of the Foresters, as we represented the Foresters on the Board, that we should get security for our money, that it should be a first claim against the property, and not be subject to division with other stockholders, who had not, as we had come to understand, at that time paid for their stock.

Q.—Or for the vicissitudes of the speculation? A.—Yes.

Q.—I was only using the term “your policy” for convenience. A.—Yes.

Q.—Now I want to press you a little about that. At that time the reports which the Land Company had were that the land would probably average about \$8 per acre. A.—\$8 per acre.

Q.—That, of course represents a very considerable profit? A.—Yes, it would represent \$600,000 or \$700,000 of profit.

Q.—Was that profit something which would have been better, assuming it to be equally certain, than the mere repayment of the money with interest? A.—Oh, very much, but I did not regard it as certain, as having a first claim on the property. I wanted to discount the chances and make a certainty of getting our money back with interest and was quite content to share to the extent of 337½ shares in the property—237½ and the 100 the Doctor had.

Q.—I quite accept what you say, that the movement proceeded from your side of the question rather than from the syndicate side? A.—Oh yes, the syndicate seemed to feel from the outset that they were exceedingly—doing us an exceeding great favor by allowing us to come in to participate in the profits, and it was decidedly to their advantage that we should occupy the position of managers rather than stockholders, as their prospect of profits was thereby very greatly increased.

Q.—That is what I had in my mind when I suggested to you a few min-

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utes ago that the movement was proceeding from the syndicate? A.—No.

Q.—You tell me that that is not so, and I accept that fully? A.—No it was not.

MR. NESBITT: Q.—They did not make a battledore and shuttlecock of their position? A.—No, if there was any vacillation it was mine.

Q.—They did not, when it was doubtful, say "take stock," and when it was certain, "take mortgage?" A.—Oh no.

MR. NESBITT: I do not want to appear to be butting in—

MR. SHEPLEY: I think Mr. Stevenson's observation put it fairly.

WITNESS: I think it is fair to say in that connection that we had practically decided upon a change of policy, and to get out of all sorts of investments of this kind.

Q.—Then on the 19th July of the same year, 1905, there is a change. There was a meeting of the Board of Directors, page 112 of the minutes, at which there is a change in the secretariat. The Union Trust Company resigns the secretaryship and Mr. Foster is appointed Secretary-Treasurer instead? A.—I think that came about simply from this fact; we had practically come to the point where there was going to be a mortgage executed to the Union Trust Company, and I did not want to have the Union Trust Company appear as a party to make the mortgage; they were Secretary and Treasurer of the Land Company, and as officers of the Land Company their names would naturally appear, and the solution of that was that the Union Trust Company resigned and Mr. Foster became Secretary-Treasurer.

Q.—Then the next minute is the 28th November and it is page 113, a meeting of the Board of Directors of the Land Company at which Mr. Wilson, Mr. McGillivray, Mr. Foster and Mr. Scholfield were present. The Secretary submitted to the Board a proposal from the Union Trust Company offering to return to the Company the stock heretofore taken therein in payment of moneys advanced, and to accept a mortgage for all advances and interest thereon to date, and you said a while ago you did not know the movement was so early. Perhaps this is the movement to which you refer? A.—What is the date of that?

Q.—19th of November? A.—That is the one I had in mind.

JUDGE MacTAVISH: 28th November.

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MR. SHEPLEY: Yes, I should have said 28th November. That is the one? A.—Yes, it was in fact earlier than that, because I sailed for England on the 15th November, and the matter was agreed upon finally before I went away.

Q.—And you seemed to be a little surprised to find that there was a minute so early as that of the Land Company in which the question was suggested? A.—I had not that minute in mind. If I knew of it at the time it had gone from my memory.

MR. SHEPLEY: Q.—Is that offer itself which you have referred to available, Mr. Foster?

MR. FOSTER: Which one is that?

MR. SHEPLEY: It is here in the minutes. We are able, perhaps, to refer to that now, by reference to the minute of the directors' meeting of the 13th November, 1905?

WITNESS: Is that the Trust Company?

Q.—The Trust Company, and that I will read before going further with this. "The adjourned meeting of the Board of Directors of the Union Trust Company was held in the office of the Union Trust Company at 2 p.m. The same directors were present as were at the meeting of the 7th." That would be yourself, McGillivray, Davidson, Ross, Wilson and Foster? A.—That was the day I left Toronto for New York to take the ship.

Q.—I may refer to the meeting of the 7th, because this was an adjourned meeting. The Minute of the meeting of the 7th, some discussion was had with reference to the Great West Land Company and the position of the Union Trust Company in relation thereto. This matter, however, was left over to be taken up at the adjourned meeting. Then on the 13th the same directors were present; "it was decided on motion by Mr. Stevenson, seconded by Mr. McGillivray that the Union Trust Company should assume the position of mortgagee with reference to the advances or payments to or for the Great West Land Company" (reads down to the words "as set forth in the agreement of the 22nd June, 1903"). That is put as your motion, seconded by Mr. McGillivray? A.—There is no doubt that the first move to take security was my motion and Colonel McGillivray seconded it. In what I said about the other matter I have no hesitation in saying that while I did not understand the other matter

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was concluded or considered at all, I had no hesitation in saying the other gentlemen thought it was or that minute would not appear in that way. But I did not understand it in that way.

Q.—You were not moving that? A.—I did not have that in mind.

Q.—Do you say your mind was not directed to it, or that you had in mind the retention of that stock? A.—Well, I had not in mind the giving of it up, although I did not attach much importance to it. The question that was in my mind was to get security, a first lien on the property for our advances. About that time, or soon after, there had to be about half a million dollars advanced.

Q.—“The solicitor was instructed to prepare the necessary papers to be duly executed by the officers of both companies.” That is the plan of the minute of the 13th November. Now, we will refer to the Minutes of the Great West Company. After the Secretary had submitted to the Board a proposal from the Union Trust Company offering to return to the Company the stock heretofore taken therein in payment of moneys advanced, and to accept a mortgage for all advances to date, Mr. Wilson, the company's solicitor, presented an agreement between the Union Trust Company and the Great West Land Company, (reads). Then there was a by-law authorizing the directors to borrow money and execute an agreement dated 28th November to the Union Trust Company, and a mortgage to the Union Trust Company the same date, passed by the directors 28th November, 1905. The advance was really limited to \$958,000 as you told us yesterday? A.—Yes, that \$980,000 was a maximum sum, understood to be quite sufficient, even more than sufficient, to cover all that had been or would be advanced.

Q.—And it turned out the maximum was not required? A.—Yes, the maximum was not required. \$958,000 odd was the maximum amount advanced.

MR. SHEPLEY: Q.—Now then we come next to the documents themselves. I put in first the by-law of the Union Trust meeting held on the 28th November, Messrs. Ross, Foster, Wilson, Col. Davidson and Col. McGillivray being present. (Exhibit 487.) Then follows the authority with respect to the assignment and surrender of separate shares of stock. That is a separate by-law which I

need not read. That is the authority founded upon the resolution of the directors. Then we have similarly a by-law of the Great West Land Company, which I have already read (Exhibit 490). Then comes the agreement of the same date, authority to execute which was given by both Boards, between the Trust Company of the first part and the Great West Land Company of the second part. The old agreement of the 22nd June, 1903, is recited. The signatures on behalf of the Trust Company are Mr. McGillivray and Mr. Foster. The signatures of the Great West Land Company are Mr. Wilson and Mr. Foster. You observe that this agreement, as does the resolution for that matter, specifically deals with the 237½ shares and the 100 shares, and it recites that the 237½ shares and the 100 shares have already been re-assigned to the owners? A.—Yes.

Q.—I suppose you were not aware of the terms of this agreement before it was executed? A.—No, I was not in the country when it was executed.

Q.—Then when the resolution was passed, which you were put down as moving, did you write down the resolution or was it reduced to writing by somebody else? A.—Oh no, the meeting was a hurried meeting, just on the eve of my departure, and I have no doubt it was an oral one.

Q.—And that somebody, perhaps— A.—I think the minute was made up subsequently.

Q.—Was there at that meeting in connection with the resolution, which you are said to have moved, any discussion, any mention, to your recollection, of this bonus stock being given up? A.—My recollection is that there was not. I simply say that because when the matter came to my notice that it had been done, it was a surprise. I may say that I talked the matter over with Mr. Wilson since that time, quite recently, and Wilson thought I was a party to this agreement, and that I had approved of the agreement itself, and was very firm that the matter was within my knowledge. All I can say is that I did not understand it so.

Q.—Of course when one looks at the terms of the instrument by which the Union Trust Company became entitled to the stock, one can as a matter of argument argue upon that as to what it means. A.—As it seemed to me.



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we were to have the stock, whether we took the position of mortgagees or the holders of stock, and that in taking the mortgage security at a later date, when the conditions were very much more favorable from the standpoint of the shareholders, the original owners of stock, there was no reason why we should surrender, and as a matter of fact the matter has come up on the Trust Board recently and our people are prepared to assert their rights to that stock.

Q.—Mr. Nesbitt asks me to put a question to you in this form: assuming that it will be stated by Mr. Foster that not only was the matter mentioned, but that it was thoroughly discussed before the resolution was passed, would that change your view at all, change your recollection? A.—That is rather an equivocal way to put it. I have given my recollection. That cannot be changed. Mr. Foster will state his recollection.

Q.—I should not have put the question on my own responsibility, but my learned friend wants it put. A.—And in saying that I may say I have great confidence in Mr. Foster's word.

Q.—Just one other question, and this one I father myself. If it had been present to your mind distinctly at the time of the discussion that that was the intention of what was going on, would you have assented to it, or would you have protested against it? A.—As I said before I did not attach great value to the stock, and I am not prepared to say what I might have done. If it was absolutely necessary to forego the stock to get the security, as between the two I would take the security. What I wanted was a first mortgage to begin with. I saw no reason why we should surrender the other, and if the only alternative was to take the one or the other, I should have taken the mortgage.

MR. SHEPLEY: Have you given some attention to the question of the stock book. Mr. Foster?

MR. FOSTER: Yes.

MR. SHEPLEY: Have you given all the attention you want to give?

MR. FOSTER: Yes, sir.

MR. SHEPLEY: Will you produce it now?

MR. FOSTER: No, I think not.

GEORGE E. FOSTER: Recalled, examined by Mr. Shepley.

Q.—You still decline, as I under-

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stand you, to produce the stock book? A.—Yes.

Q.—And I understand you to say—I do not want to evade that at all—I understand you to say that you do so because, in your judgment, the contents of it are not relevant to the work of this Commission? A.—Yes.

Q.—Now, Mr. Foster, I want to put two or three considerations to you; in the first place you concede, I suppose, that your judgment as to the relevancy of these documents is no better in theory, though it may be better in fact, no better in theory than that of any witness who occupies the box? A.—I simply give my own judgment for what it is worth.

Q.—I appeal to you as a public man, do you think it desirable in the interests of the administration of the affairs of this country that the private judgment of a witness should be the ultimate rule of production or non-production before a tribunal? A.—That would all depend on circumstances.

Q.—What circumstances would it depend upon? A.—In my case I can point out, as I have told you, that it is not necessary in any respect to get at the security, the validity of it, the validity of the security which is held by the Union Trust Company and assigned by them to the Independent Order of Foresters—that is the Insurance Company. No refusal of any evidence whatsoever, in so far as it has been in my power to give it by personal information or by documents, has been kept from the Commission, which would tend to disclose, down to the very lowest foundation of the security, everything in connection therewith, the lands, the cost, the valuations, everything in connection with that, which go to show what a security is worth. Nothing of that kind has been withheld, or will be withheld so far as I can give it to this Commission. It does not seem to me—and my own judgment must be given with great humility, and I give it simply as my own—that it is necessary for this Commission, or within their powers as laid down by the Order in Council, on which their power is based—that it is not necessary for them to go into the stock arrangements of a company which is not related in any respect at all to the Insurance Company, and I cannot see what information can be got out of that which will help to

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illustrate what seems to me to be the main thing to be illustrated, namely, the quality and nature of the security itself. Now, while I am saying that much—no I think that will probably be enough.

Q.—I do not want to interrupt you because I want to be patient while you are speaking, and then I want you to be patient while I address you? A.—Well, I think that is all I care to say at present. If I care to say something else I suppose I shall have an opportunity. One thing I will say that in making that statement I make it with the utmost respect to the Commission.

JUDGE MAC TAVISH: Certainly.

MR. SHEPLEY: Nobody doubts that? A.—I do it with the full knowledge of what I think is required by a Commission investigating under its powers the subject committed to its care, and if I had known it were necessary in any respect to illustrate the validity of a security on which they are at present engaged, I should not withhold it.

Q.—I do not want to prolong the discussion, but I want you if you can to see the view I am urging upon you, whether it is the right view or not is another matter; you are exercising your own private judgment and relying upon that as to the relevance of the inquiry that is being made; that is right? A.—Yes.

Q.—You are aware of course, that the Commission has ruled that the affairs of the Union Trust Company are legitimately the subject of inquiry here, you are aware that has been ruled? A.—All the affairs of the Union Trust Company?

Q.—Yes? A.—As to its common stock and its clients?

Q.—You have heard the ruling that has been made? A.—I have not been aware of it. I supposed the ruling went this far; that in so far as any investments of or for the insurance company were concerned, that the Commission wished to follow them out to their ultimate destination.

Q.—Were you not aware— A.—Allow me to say what I thought. But that with respect to the Union Trust Company itself, which is an entity of its own, which has its own clients, and which has its business with these clients, that it was not a ruling of the Commission that they were at liberty or thought it necessary to carry their investigations out on those lines.

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Q.—Now then you were not aware, as I understand you now, to say, that the ruling of the Commission extended to this; that inasmuch as, speaking practically and as a practical man, all the capital funds of the Union Trust Company were Foresters' money, that the dealing of the Union Trust Company with those funds was a proper and legitimate subject of inquiry here? You were not aware of that? A.—I cannot help but look at it in this light, if you will allow me—

Q.—Were you aware that that was the ruling? A.—A ruling of the Commission.

Q.—Yes? A.—I was not.

Q.—You were not aware of that? A.—No. In fact I have never read the ruling of the Commission and I have an indistinct recollection of it.

Q.—Would that ruling, if I asked the ruling of the Commission, and that ruling was given, would that shake your view, alter your view? A.—My view is this—

Q.—You can tell me that shortly, because I want to get as near to you as I can in seeing eye to eye with regard to the relevance of this testimony? A.—Now, put your question again, please.

Q.—If you had been aware that the ruling of the Commission was, that by reason of the great holding of stock by the Foresters in the Union Trust Company, the dealing with the capital funds so furnished by the Foresters to the Trust Company was a part of this inquiry, would it alter the position you have taken? A.—I do not think it would. If I may be allowed, I will state this; that I think there is a very distinct difference between the funds which were handed over to the Union Trust Company to invest under the contract by the I.O.F. and the funds which became Union Trust Company funds by virtue of myself or any other subscriber, whether it be the I.O.F. or not, subscribing for and purchasing capital stock, which then became their investment, my idea would be that those moneys, when they went into the Treasury of the Union Trust Company, became the moneys of the Union Trust Company, a different entity altogether; so far as the contract with the I.O.F. is concerned, it must be guided both as to the nature of the investments and the manner of them by that contract. With regard to its own funds which accrued

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to it by the purchase or payment of capital stock, whether it be the I.O. F. or any other subscriber, those were their own funds, and had a different scope of investment, and belonged absolutely to the Union Trust Company, and whether A. B. had 99 out of a hundred of that stock or had one out of 100 of that stock, it made no difference so far as the entity and the powers of the entity are concerned. That is my view. Now with respect to the Commission, if you will allow me to say this, that the Commission's powers though strong, must have a limit. There is a boundary beyond which they cannot cross, because they are formed and their powers are given to them upon an Order in Council in this case and a Commission issued to them based on the Order in Council, and I ought not, neither do I think any man ought to be charged with contumacy of the powers of a Commission, because in his judgment the Commission, from whatever purpose, from any purpose whatever, or for any cause whatever may go, or think they ought to go beyond the powers of that Commission. I must have a judgment with regard to those powers, even though it may be a very humble one and a very poor one. As a public man I think I do understand something with reference to their investigations—their methods and their bases. I am sorry I am not a legal gentleman, because then I could put this in a better way, in phraseology which a layman does not have at his command. As illustrative of this, will you allow me one more statement? I do not know what my standing is before this Commission at all. I do not know what rights I have.

Q.—You have the rights of any witness who is put in the box, that much and no more? A.—Yes, I suppose. I suppose I have a right to answer questions put to me and none others.

Q.—I am giving you the right to make your answers to me as complete as you wish? A.—Then, if I have that privilege or right, whichever it is, as illustrative of my difficulty, I wish to state that yesterday a matter came before this Commission; you as prosecuting the inquiry had a witness before you. That witness was the President of the Union Trust Company and a member of the Board of Directors. You thought it right—I am not saying you were wrong—to press the witness as to an appreciation of my general conduct as Manager of the Union Trust Company.

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The witness was loth to answer. You pressed the point, and at last he did cite an instance where, as he said, I had been disobedient to orders, and had made an investment contrary to the instructions of the directorate. Now, I suppose if I have made one investment I have made thousands upon thousands of investments. This puts me in this invidious position, my character and conduct as the General Manager of the Union Trust Company are impugned. The head lines that you saw this morning in the papers will show you exactly to what use it was being put, legitimately or illegitimately, I am not going to say. The only way I can put myself right is to review the whole situation and my whole conduct as the General Manager from the time I went into office till I went out, showing many mistakes, no doubt, showing, I hope, many considerations on the other side of it, which on the whole might make me not a bad average Manager, judged by results. To whom am I to call, if I have a right to put myself right, by going into my whole history as the General Manager of the Union Trust Company, to whom am I to appeal? I do not know that I have a right. I suppose strictly speaking I have not. I am forced then to take that imputation upon my whole conduct as Manager of the Union Trust Company, or to seek some place where I can vindicate my whole Managership before a competent tribunal. If I am given the grace to do it here, what is my tribunal? One of its members is the Manager of a rival trust company, and it is certainly not saying too much to say that it goes to the line of unfair and unreasonable treatment to ask my conduct as the General Manager to be open to the investigation of what you might call a brother official in a rival company.

Q.—You are getting away a little from the point? A.—I am not saying this with any lack of respect to the members of the Commission. I am just stating what is the effect of it.

Q.—We are straying from the point? A.—That illustrates my difficulty, and I am bound, as far as I can, to do something to protect myself. What it is I do not know.

Q.—Just one question more. You are not losing sight of the fact that this particular investment is earmarked as an investment of the Foresters? A.—It is earmarked in this way; that it was a mortgage given



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to the Union Trust Company and that the Union Trust Company in the course of its business assigned that to the Foresters.

Q.—You are not losing sight of that? A.—I am not losing sight of that, and it is because I am not losing sight of that that yesterday I gave you all the documents in connection with the Great West Land Company, with the exception of the stock.

Q.—Then just one other question—unless some other questions arises out of it—and I am done. You do not profess that you are any more entitled to your private judgment than any other witness would be? A.—I suppose each witness has to be his own judge of that matter. I am not making any comparisons, Mr. Shepley, I do not wish to.

Q.—I want you to, because you must see that if every witness can, upon his private judgment, take his own view and assert it, the functions of a Royal Commission would be very much curtailed and you might as well wipe the provision out of the statute? A.—Every case will have to be judged by its own circumstances. I occupy, I think I may say here, a position a little different from some of the other witnesses that have been here. I could give you the reasons why if I chose. I may before the Commission is over, and I am bound, as far as I can, to protect myself.

Q.—Then I have put every consideration before you that occurs to me to place before you, why you should comply with the request I have made. You have finally declined as I understand it, and that is all I have to ask you at present? (No answer.)

MR. SHEPLEY: I ask your Honors to state whether my statement of your Honors' ruling is correct.

JUDGE MACTAVISH: I think so, Mr. Shepley.

MR. SHEPLEY: Although the witness has said that would not affect his conduct in respect of the matter.

JUDGE MACTAVISH: Yes.

MR. SHEPLEY: Then following that, in view of all that has passed, I ask a specific ruling with regard to these particular documents, the stock and the stock transfer book.

MR. NESBITT: I suppose you will hear what is to be said in respect of that from the legal standpoint?

JUDGE MACTAVISH: Yes, confining it to the particular stock book.

MR. NESBITT: Quite so. It is quite in accordance with the view I enunciated to your Honors the other

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day that the productions were made as of yesterday; as the facts developed it appeared to me that came precisely within what I endeavoured to put before you as my conception of the extent of the Commission. I do not think that view differed in the slightest degree from your Honors'. The question is if I properly interpreted what your ruling was the other day, has a line of demarcation been reached under that or has it not? Now you have before you what facts? You have it placed before you, so far as the Great West Land Company is concerned—

MR. SHEPLEY: Mr. Foster should, theoretically, be in the witness-box when the ruling is being asked and being given and he has an engagement at one o'clock. It is one o'clock now and we might adjourn. I want him to be here at two o'clock.

(Adjourned till 2 p.m. this afternoon.)

#### AFTERNOON SESSION.

Resumed at 2 p.m., September 25th, 1906.

MR. NESBITT: I was proceeding to point out what the discussion was before. The Chairman of the Commission said: "We are charged with the duty of tracing if we can the funds from the pockets of the policyholders to their ultimate destination. We are further required to ascertain whether the funds, or any part of them, have been wasted or lost on the way. We are further to inquire as to the security that represents the funds so contributed, and we should ascertain, if possible, whether those funds will be forthcoming when a claim thereto is established. Anything that contributes to the proper investigation of these particular subjects must be put at the service of the Commission." Then the Chairman proceeds that they are not going to make invidious distinctions between companies and individuals. I supposed there was complete compliance. In the first place what have we produced? You have the documents put in, the only evidence you have before you at the present moment upon which you can rule is the oath of Mr. Foster that this stock book has nothing whatever in it relative to this Inquiry. With that oath, un-

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less entirely discarded, you are bound. What are the facts? The agreement put in between the Supreme Court of the Foresters and the Union Trust Company—and I need not make the point over again that I made, that the Union Trust Company as such, no matter whether you find that 99½ or 99 9-10 of the lands was purchased by the funds of the Foresters, if you or I—

MR. KENT: Would you make the same distinction if not only 99½ but 100 was the case?

MR. NESBITT: Personally, yes, because it is a distinct corporate entity; but with due submission the question you ask is beside the mark, because if you do find a bona fide, as you do have a bona fide investment of other people who are not connected with the Foresters to the extent say of 40 shares—take Colonel Davidson for instance, Sir John Boyd, Mr. Wilson and somebody else, I have forgotten the name—that any one of those people can very properly complain that qua them, they belonging to an entirely separate and distinct entity, that in so far as transactions not relative to the Foresters' money as such under the agreement between the Foresters and these, that it is not your business to inquire. As for instance, let me illustrate: supposing the manager buys that 100 shares Union Trust stock for the Union Trust Company; there is no pretence that that has anything to do with Foresters' money. Would you inquire as to the personnel, for instance, supposing you had the personnel of the Union Pacific at the time of its creation, as to its personnel? Where do you end? This document that was put in puts squarely under seal the principle under which the moneys are to be invested. First they are to report the investment that they shall take for the Foresters. You have inquired into all those so far as I know. Secondly, those are to be approved of by the Foresters themselves independent of the representation upon the directorate of the Trust Company. and they can turn back on the Trust Company—of course in turning it back they would turn back in the relation of 15 to 10—they can turn back that investment and the Foresters refuse to take it. Any they do take are to be ear-marked and are ear-marked for the Foresters, and the Foresters have the guarantee as well of the Trust Company, treating it as

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an entirely distinct and separate entity. Then you had first the two gentlemen, Pope and Fowler—not pretended they have any more connection with the Foresters than I have or one of you have—they get in 1903 an option from the C.P.R. on 200,000 acres of land; that option apparently by reason of the extraordinary rapid rise—we know what that has been in the last few years—they turn over to a syndicate, one of whom at least had no connection with the Foresters in the sense of being in any way a member of the Order, that is Mr. Foster. That syndicate again—you have taken all the ramifications through—at first were going to finance it through the Union Trust Company as mere agents for them. Then it takes the form ultimately of that syndicate buying in to the Ontario Land Company, some of those gentlemen, all of them I think, still remaining in this Great West Company, but only for small amounts, they getting the whole control of that. Then you have the fact that the Trust Company were to become for the amount of their loan to them—because the Great West Company, take for instance Mr. Rufus Pope, what concern have you got with what bargain he made with the C.P.R. with the bargains he made as a 40 per cent. holder, whatever he was, of the stock of the Great West Company—it is perfectly plain that the ultimate and net result of the transaction is as shown here that the Great West Land Company has a distinct and corporate entity. Not a share of that stock on the document—the Union Trust Company may assert they have a right to claim 237½ shares of it as stockholders in the company—but not a dollar of the money of the Union Trust Company is in that company. The shares are represented by the profit of Mr. Pope and these other gentlemen; if any profit ever is made it is made after the moneys are paid back and every dollar gets back to the Foresters. Until that mortgage, now about \$800,000, because \$125,000 has been paid on it since, until that mortgage is paid off not a dollar of that stock is worth a cent; nothing can be realized from it, and when it is realized it cannot be pretended that that ever came from the money of the Union Trust Company, except in the sense of it having lent its credit, so to speak, to enable it to be financed. Now,

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then, we come to the point, what possible interest can it be either to the public or this Commission, how can it be in any sense within the Inquiry of this Commission, which is limited to life insurance and life insurance systems, the operations of the various companies chartered by the Parliament of Canada, or by any Province, and licensed under the Insurance Act, transacting life insurance in Canada, including expenses of management, investment of funds and other allied questions? As to the investment of funds what possible interest or information can it be, what right have you to inquire as to these gentlemen since that mortgage, what their relations are? We know as a matter of history that there is a suit pending between some of them, Mr. Lefurgey, Mr. Pope and others, as to their affairs, but what interest can that be to you? It is not suggested that they have any connection with the Foresters. Upon what possible rule can it be, except for the mere purposes of exploitations? I may say on behalf of Mr. Foster that as Secretary of the Company he feels, and has been so advised, that he has absolutely in the production of all these documents complied, and you have traced, you have it now in the form of a mortgage, you know what the security is. The stock book throws no information as to that whatever, as to anything about the mortgage, because it is non-assessable stock, it is not pretended it is not paid-up stock in the way that has been described, you have that information; as to how the present holdings are we say it has nothing to do with the Commission.

**JUDGE MAC TAVISH:** You concede this transaction we are now dealing with is a proper subject of inquiry?

**MR. NESBITT:** No, I do not; on the contrary I think strictly it is not, but I desired to go to the very utmost limits. On that document you have there I submit your inquiry should simply have been to what, if any, securities held for the Foresters, and that would have been simple, you would have had the information that there was a mortgage to this amount held, just as if it might be from me. Supposing I had borrowed that money you might just as well inquire into my other debts and various other matters. I can see no possible distinction; or as to whether I was living a temperate and sober life and so on; there would be more justifica-

tion in that, because you might say as to the value of the security the moral risk, so to speak, which does not exist in this case of this corporate entity. I was going to say if you want I am quite prepared that the Commission should see the stock book, if necessary, up to the date of the mortgage to see that the statements made in these documents are correct, to correspond with them. I am quite prepared you should see the stock book, if you want to, but I am not prepared unless Your Honors will rule, as every Commission in England has ruled, that when matters border on the private line it is for the information of the Commission only and not for the information—we see the use this morning—absolutely unfair, if I may say so—by innuendo of suppression that is made of evidence before this Court. It is not suggested even that a single dollar of I.O.F. or Union Trust Company ever went into that stock or that anything ever could be realized by anybody out of that stock until all this mortgage indebtedness is paid.

**MR. SHEPLEY:** Of course the question is an important question. There is no objection in saying it is otherwise than an important question, but it is not possible that the private judgment of a witness should be substituted for the judgment of the Commission. The terms of the Statute are perfectly explicit. Chapter 114, giving the power to appoint a Commission and stating the powers which the Commission gives; the power of summoning before them any witnesses requiring them to give evidence on oath, oral or in writing, or on solemn affirmation, if they are persons entitled to affirm in civil matters, and to produce such documents and things as such Commissioners deem requisite to the full investigation into the matters into which they are appointed to examine. If the jurisdiction of the Commission in determining what is relevant to any Inquiry in which the Commission is engaged is to be handed over to gentlemen of no matter how high character and ability who occupy the witness-box, then the Statute had better be repealed. The next observation I want to make is to deal with my learned friend's argument upon the lowest ground upon which it is put. Here it is manifest that the funds of the Foresters are invested to



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the extent of \$958,000 in certain lands by way of mortgage. That is the final position the security has taken. The mortgage is a mortgage upon certain lands, and it contains the covenant of the Great West Land Company. I should have thought that if it were the case of a mortgage by any company or any partnership or firm containing a covenant that it is directly within the principle which my learned friend is himself contending for, that the composition of the company, the membership of the firm, the people who are in charge of the property, the people who are in ownership and in management should be fully disclosed, if you limit your Inquiry to the mere validity and prudence of a particular security. Here it is conceded that this particular mortgage is assigned or allocated to the funds of the Foresters in the hands of the Trust Company for investment, and it has been assigned so that the mortgage is now held by the Foresters, according to the testimony of Mr. Foster.

JUDGE MACTAVISH: The Mortgages are?

MR. SHEPLEY: The Great West Land Company.

MR. NESBITT: Not the units composing it.

MR. SHEPLEY: I want to know who the people are in ownership and control of this property and who are managing the company, whose covenant we have. That is putting it upon the lowest ground, but I do not of course desire to be understood as putting it upon that ground merely. Here we have this state of facts developed so far. I take it that so far as the investment of capital stock is concerned, I take it that the fact that some two and three-quarter millions of dollars of the Foresters is invested in the capital stock of the Trust Company, and substantially that is the whole of the stock, because there are only forty or fifty shares besides—

MR. NESBITT: Was.

MR. SHEPLEY: Was at the time these transactions were going on, I take it the relevance of that Inquiry has been already determined. Then we have, conceding that, and indeed without that having the mortgage allocated to the Foresters we have this position of affairs; we have three persons who occupied fiduciary positions, who were engaged in a speculative transaction—I do not use any

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stronger language because it is not necessary to—a transaction of a more or less speculative nature for their own benefit and entirely so far as now appears in the final results for purposes of their own. They are in a position upon the testimony of Mr. Stevenson, to control the financial policy, so far as the Board of Directors are concerned, of the Trust Company and they do control it. They reduce into possession because that is practically it, large sums of trust moneys and those are made the basis of the transaction of a more or less speculative nature, as I have described it, in which they are personally interested. That is the evidence so far. That those interests have taken the form of capital stock in the Great West Land Company is a mere incident. I should have thought it was beyond all question that once that position is established one has a right to trace from end to end all the facts that have flowed from that diversion from legitimate purposes of the Trust funds. That is the proper ground to put it upon, the high ground to put it upon, the ground which I desire to be understood as putting it upon, though it may well be rested upon the narrow ground upon which my learned friend has argued. I do not know that it would be proper that I should say more with respect to the attitude of the witness. No doubt he is acting as he thinks he is entitled to act, but it is quite impossible that the judgment of this witness or any other witness, no matter of how high standing he may be or how able he may be to form an opinion, should be substituted for the opinion of the Commission which the Statute vests in the Commission for the purposes of the public Inquiry.

MR. NESBITT: Just a word, he has entirely mistaken Mr. Foster's attitude; he is not substituting his judgment in the slightest degree—

JUDGE MACTAVISH: No.

MR. NESBITT: You have the facts before you; if any tribunal can say, and we are appealing upon the judgment of the tribunal—and unless you are going on a mere fishing inquiry, that it being apparent that there is not a dollar of money at stake in that stock, that it is created out of water entirely, so to speak, that the money represented is in that mortgage and in that mortgage only, and it cannot be pretended for a single instance that there is one cent.—

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JUDGE MACTAVISH: Should not we know who the mortgagors are?

MR. NESBITT: You have the Great West, that is a distinct entity, and you have the authority of the House of Lords whom that is composed of is nobody's business—supposing I am a stockholder or fifty other people in that, what difference does that make? You have the security. Idle curiosity may ask who the mortgagors are, but that is not the mortgagor, the Company is mortgagor; the various stockholders that compose that great corporation can be of no interest or concern to you. I am quite content if you want to get at the original thing to show the stock book up to the point you got your mortgage, but as to what follows after that we submit it can only be for the purposes of curiosity.

JUDGE MACTAVISH: The first question that we must consider is this, is the transaction that is now being investigated by the Commission a proper subject of inquiry under the Order in Council? We think it is. We think we would not be doing our duty, we would not be carrying out our instructions as disclosed in the Order in Council unless this transaction was thoroughly inquired into. It follows from that that any book or document which will throw any light on the transaction in any of its details should be placed at the service of the Commission. It is our desire that private interests should be respected, and they will be respected in so far as we can protect them, but this is a matter of public interest, and when the public interest intervenes all other considerations must give way. We recognize the position of Mr. Foster as Secretary and Treasurer of this Company, responsible in a way to his Board of Directors for the proper execution of his duties, and the position that he takes is quite proper. I understand it is that it is no part of his duty to volunteer information of that kind. So for his protection we can make a direction that these books should be produced. Any matters of a purely private or personal nature not pertinent to this Inquiry need not be disclosed either to the Commission or to the public.

MR. SHEPLEY: Then I re-call Mr. Foster.

GEORGE E. FOSTER, re-called by

MR. SHEPLEY: You have heard, and I trust appreciate the ruling of the Commission upon the relevancy of the documents I have been seek-

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ing? A.—I have heard the ruling of the Commission and I appreciate their reasons. I do not forego my own private judgment in the matter such as I stated before as to the irrelevancy. A remark which was made by you, whether for a purpose or not, rather inclines me to the position that I intend to take, to the effect that I might be thinking of sheltering myself by reason of public position or the like of that that I hold.

MR. SHEPLEY: I did not intend to make any such remark? A.—Jack is just as good as his master in the Court, and it makes no matter what position a man has in public life or otherwise he should submit himself the same as if he has no position. I shall have chances elsewhere probably to fight out the merits of the matter in a public way, but I do not see any use for me to contravene the decision of the Commission given by its Chairman. I still think they are not relevant to it. I do not think you will get any information you have not already that will help to elucidate this case, but after the ruling of the Commission I will produce the book. I have not it in my pocket, but I could have it in the morning.

Q.—I thought you had it here this morning? A.—Yes, I took it with me again and left it.

Q.—It is not very far, is it? A.—No, not very far. I could send for it if there is a messenger available.

Q.—Is it at your residence? A.—Yes.

Q.—It will take them some time, or can you arrange to have it here soon? A.—It will take about half an hour, but I will send a note if there is a messenger.

Q.—Then if you will do that? A. Very well.

ELLIOTT G. STEVENSON, examination continued:

MR. SHEPLEY: Perhaps we might have put on record the minutes of the Union Trust Company bearing upon this question which were omitted this morning because the book was not at hand. The first meeting of the directors of the Union Trust Company subsequent to the minutes to which reference was made yesterday afternoon was held on the 5th September, and the only entry that is in that minute about the matter seems to be this: "Information was given by the Manager that the New Ontario Farm & Town Sites Syndicate had been

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granted a change of name by the Provincial Government, and would be known henceforth as the Great West Land Company, Limited"—that was at a time when you were not giving the matter any particular attention? A.—Yes.

Q.—I have now come to the minute of the 26th March, 1904, being the minute of the meeting that took place after the correspondence had begun between yourself and Mr. Wilson. Present: Sir John Boyd, Mr. McGillivray, Mr. Wilson, Colonel Davidson and Mr. Foster. On motion of Col. John I. Davidson, seconded by Lieutenant-Colonel John A. McGillivray: It was resolved "that under and pursuant to the mortgage agreement made between the Union Trust Company, Limited, and the New Ontario Farm & Town Sites Syndicate, Limited," etc. (reads down to the words "subscribed therefore in the name of the company")? A.—It was evidently the action referred to in Mr. Wilson's letter to me of March 26th.

Q.—On the first October, 1904, another meeting of directors: Sir John Boyd, Mr. Ross, Col. Davidson and Mr. Foster. "The Union Trust Company having elected to take stock representing the loan previously reported upon as number 232 on page 146 your Committee finds"—this seems to be the report of the Inspection Committee—"Your Committee finds that the Trust Company now holds 2,201 paid-up shares of stock," etc. (reads down to the figures "\$93.68")—that would be apparently the amount of the advances up to that time? A.—I assume so.

Q.—Then that would bring it down as far as we have been furnished with the minutes to the date of the reconstruction of the relations between the two, in November 1905. I had already referred to the agreement by which the stock was surrendered, and on the same date was the mortgage which was referred to in both minutes. That mortgage recites the agreement of the same day: "By which the mortgagee surrendered or assigned or caused to be surrendered or assigned," etc. (reads down to the figures "1905") Then comes the operative part. "There was a conveyance and mortgage to the mortgagee," etc. (reads down to the words "both real and personal"). I see this mortgage specifically includes the 8,640 acres? A.—I discovered that upon examination this year.

Q.—Then it also covers and conveys the right to unpaid calls on

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stock; there were not any unpaid calls, were there? A.—Not that I was aware of.

Q.—Then the mortgage is to be void on payment of the mortgage money with interest after 11th December, 1905, at 6 per cent., payable yearly, both before and after maturity, and before and after default, until payment of the said principal money secured hereby; the principal money to be payable in 1910—that is it has still over four years to run according to the terms of it? A.—That was at variance with my understanding as to what it was to be. My understanding was it was to be for one year, but the security as executed appears to have been to re-pay the money within five years.

Q.—Then there was a provision permitting the mortgagor to convey the land or any part thereof provided that \$4.90 per acre of the consideration money was applied in payment of the principal—were you aware of that provision? A.—I supposed that was what was intended as a release clause. If a portion of the property was sold that upon a payment of that amount a release would be executed for that portion.

Q.—You remember the amount that was fixed, \$4.90? A.—I did not know at that time.

Q.—That is written in, the mortgage itself was blank upon that until the writing took place? A.—I suppose that was the amount of the investment at that date, in fact I had a computation made recently and with interest added to January 1st, 1906, the investment representing the case we had advanced amounted to \$4.86 per acre with all charges.

JUDGE MAC TAVISH: Adding interest? A.—Adding interest and all charges up to January 1st, 1906, the amount was \$4.86, so that I take it that \$4.90 was intended to cover the amount of our interest per acre.

MR. SHEPLEY: Q.—In other words if the land were sold for \$8 an acre, say 1,000 acres of it, or 50,000 acres of it, the acreage multiplied by \$4.90 would give what must be applied upon principal in order to get a release, and the balance might be applied as the mortgage provides, to interest money, commissions, taxes or other reasonable expenses or disbursements? A.—That was the interpretation I put upon it when I came to examine the instrument.

Q.—Then there is a provision which is consistent of course with the ear-



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lier provisions, though I do not quite understand the purpose of it: "The mortgagor may also make and collect calls upon stock?" A.—It is possible, and I think it is perhaps true, there was a small amount of stock that was subscribed for by Mr. Scholfield and perhaps by Sir John Boyd, and there may have been some other small amounts of stock that only a portion had been called in. I think since that time there have been payments made on that stock to pay it in full. I cannot imagine what else that would refer to.

Q.—The default provision is perhaps of consequence, having regard to the nature of the security. It is covenanted that "in the event of default being made in any of the payments heretofore provided for," etc. (reads down to the words "may proceed forthwith for the collection thereof"). Then there is a covenant for the payment of principal money, and then there is a special provision beyond and above the power of sale which is that if the mortgagor fails to make payments for the period of three months after written notice then the mortgagee may in its option and without legal proceedings declare the conveyance to be absolute and unconditional, and that the right of the mortgagor to redeem shall be absolutely and forever barred." I do not know whether you would consider that a clause to which effect would be given? A.—It would not be under our law, but I supposed it being prepared by a Canadian lawyer he would have had it conform to the Canadian law. We could not bar equity in that way under our law.

Q.—I rather think not here? A.—Although it was the distinct understanding it should be made pretty arbitrary as they had notice we would not tolerate any delay.

Q.—This is not the executed mortgage but it purports to be a copy of it, and I have no doubt it is an entirely correct copy. It is endorsed as "Settled at Directors' Meeting 28th November, 1905?" A.—I believe that is a copy of the instrument.

Mortgage just referred to marked as Exhibit 492.

Q.—Then I refer again to the minutes of the other body, the Great West Land Company. On the 11th December, 1905, the Great West Land Company's shareholders held a meeting. Sir John Boyd was present, Mr. Wilson, Mr. McGillivray, Mr. Foster, Mr. Lefurgey, Mr. Scholfield and Mr. Vandusen—we had almost

forgotten Mr. Vandusen, he was one of the original shareholders in the New Ontario? A.—I have never had the pleasure of his acquaintance.

Q.—And the Union Trust Company, Limited, present by proxy—that would not seem to have been proper on the 11th December, 1905, because the conveyancing was on the 28th November? A.—I was not in the country at that time.

Q.—You have not any specific knowledge of what took place at that meeting? A.—No.

Q.—This is the notice calling the meeting, probably it was right that the Union Trust Company should be represented because apparently this was the meeting at which the agreement was considered: "Take notice that a general meeting of shareholders will be held on such-and-such a day for the purpose of considering the agreement between the Great West Land Company and the Union Trust Company, dated 28th November, relating to the assignment and surrender of stock of the Great West Land Company and mortgage of same date," etc. (reads to the words "of such agreement and mortgage"). On motion Mr. Vandusen was elected Chairman, and Mr. Foster Secretary. The Solicitor of the company then read the by-law passed at the meeting of the Board of Directors held on the 28th November, authorizing the execution of the agreement dated 28th November, 1905, between the Union Trust and the Great West Land," etc. (reads minute down to the words "for the consideration of the meeting"). On motion of Sir John Boyd, seconded by Mr. McGillivray, the by-law, agreement and mortgage were adopted and confirmed. That was the nature of that matter at that time. We will just see what elements were present. Mr. Wilson, Mr. McGillivray and Mr. Foster were present—those were the syndicate—Mr. Lefurgey, he was one of the original vendors, Mr. Scholfield and the Chancellor were the members of the Board so far as we yet know by virtue of certain holdings of stock under that agreement? A.—I am quite sure that whether that first thousand of stock referred to was purchased by them I know some stock was purchased and paid for by the Chancellor and Mr. Scholfield.

Q.—That appears to be so as we saw with reference to Mr. Scholfield's stock this morning; among the first receipts of the company were two

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payments of \$600 and \$800 by him?  
A.—Yes.

Q.—Then the other shareholders have a representative in Mr. Vandusen, and the Union Trust Company we know about its interests. Then we come to the minutes of the directors on the 27th February, 1906, preparatory to the next annual meeting, at page 115. I do not know that there is more in that than the presentation of the statement, the directors' report and financial statement of the year ending 31st December, 1905, was submitted and directed to be submitted to the annual meeting of shareholders. The meeting of the shareholders itself is at page 69: "Pursuant to notice the annual meeting was held on the 27th February. Present, Mr. Foster, Mr. McGillivray and Mr. Wilson"—just the three gentlemen there. "Colonel McGillivray took the Chair and Mr. Foster acted as Secretary. The election of directors then took place, and the following were elected, Mr. Wilson, Mr. Scholfield, Mr. Boeckh"—that is a new name, or rather it is a new-old-name—Mr. Foster, Col. McGillivray, Mr. Fowler, Mr. Pope, Mr. Lefurgey, and Sir John Alexander Boyd." Apparently Mr. Rogers went off the Board or was not elected to the Board and Mr. Boeckh was elected in his place? A.—I knew nothing about the internal arrangement of the Great West Land Company.

Q.—Then comes the Directors' report, and that we will examine. "The statement appended hereto shows the financial position of the company during the year. The examination and grading of the lands belonging to the company has been completed. The following sales have been made : (a) Arrangements have been entered into with a Chicago firm for the sale of 100,000 acres of our land taken in alternate sections throughout the whole block at our list prices"—that would be the prices fixed by the grading, "and a commission of 50 cents per acre?" A.—I think the list prices were above the grading price, if I am not mistaken.

MR. FOSTER: The fixed selling price.

MR. SHEPLEY: I will be very glad if Mr. Foster will explain it at this stage?

MR. FOSTER: There is a grade price and a list price; the grade price is what would be put upon the land by the examiners, but the list would vary from year to year as the land appreciates in value.

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WITNESS: It was my understanding that the list price exceeded the graded price?

MR. FOSTER: Yes, in most cases.

MR. SHEPLEY: "The Land Department of the Union Trust Company," etc. (reads down to the words "propaganda"). I suppose that is a matter which was quite independently arranged of any of the existing transactions between them, it was quite an independent thing, employing the Union Trust Company to sell or to list the lands? A.—That proposal referred to was not consummated. The Chicago people, and with a view to expediting the sale of lands we organized the Land Department of the Union Trust Company to take over the sale of our own land and these lands, as I understood it, and Mr. F. W. Hodson was to be in direct charge of that Department in conjunction with Mr. Foster.

Q.—And then the lands have been in the hands of that Department for disposition? A.—Since that time, most of them have been sold since.

Q.—Then there is a reference to the arrangement which had been completed by which the stock formerly held by the Union Trust Company had been surrendered (reads). Then comes the financial statement, and that I want to refer to just briefly. That departs again from the method of either of the previous balance sheets. The receipts and expenses do not appear at all, but assets and liabilities only. You remember that the lands stood then as assets at a book value of \$1,066,748 at the end of 1904 and at the end of 1905 that has appreciated so that it is \$1,140,430.74. That of course is arrived at by adding to what the land had cost them at the end of the year what they have cost them during the year? A.—Yes; interest is added and all expenses.

Q.—And then among the liabilities appears the final liability to Pope & Fowler, the final liability to the Canadian Pacific Railway, both of which have become extremely small, and the large mortgage of 958,000 odd dollars to the Trust Company? A.—Yes.

Q.—And the liabilities to the shareholders are \$162,820? A.—Yes.

Q.—Have you any control of affairs in the Union Trust Company at all now, will they do what you tell them

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to do, or will they not? A.—I think they will if it is anything in reason.

Q.—Mr. DuVernet not being here the gentleman in charge there will neither give us the minutes or copies they have made? A.—I would be very glad to go to the 'phone and adjust that. Here is something that has been sent, and if that is not sufficient the minute will be here themselves. I do not mean in what I have said that I control the Union Trust Company by any means.

Q.—But your word is probably more influential than mine would be? A.—I think perhaps that is true.

Q.—Just completing the minutes you will recollect that this morning under the date of 1905 we found a minute of the Great West Land Company showing that they desired to borrow \$900,000? A.—Yes.

Q.—That was the movement which you said was a little in advance of your recollections? A.—Yes.

Q.—I see on the 20th May, 1905, at a meeting of the directors of the Union Trust Company were Colonel McGillivray, yourself, Mr. Foster, Mr. Wilson and Colonel Davidson are said to have been present, it was resolved that the Union Trust Company advance to the Great West Land Company from time to time an amount to not exceed \$900,000, to be secured by bonds based on a first mortgage of all their property, and bearing interest at 6 per cent. per annum? A.—Yes, no doubt that occurred; it had gone from my memory; I had in mind the latter.

Q.—It seems to have been ripe at that time? A.—Yes.

Q.—I have read the minutes of the 7th November and of the 13th November at the adjourned meeting dealing with that release and mortgage. Then I put in, I think I have already read it, but I put it in at all events, the minute of the 28th November, 1905. Then trying to preserve as far as I can the chronological order I take the directors' minute of the North-West Land Company and the shareholders' meeting to which we have just referred, page 116, immediately after the annual meeting February 27th, 1906. Present, Mr. Foster, Mr. Wilson, Mr. McGillivray. On motion the following officers were elected for the year: The President is Mr. McGillivray, Vice-President Mr. Wilson, the Second Vice-President, Mr. Scholfield;

Secretary-Treasurer, Hon. George E. Foster—I see the Chancellor then retired? A.—Yes..

Q.—I think we have practically concurrent minutes for the next transaction. On the 30th June, 1906, the Great West Land Company had a Directors' meeting. Mr. Wilson, Mr. Foster, Mr. Scholfield and Mr. Le-furgy—at that date I think Mr. McGillivray had gone away? A.—Yes; Mr. McGillivray had been ill since early in May.

Q.—The Vice-President, Mr. Wilson, took the Chair. The Secretary read the following report (a) and (b) which upon motion were approved—are those reports available, Mr. Foster? They are reports you read in June last to the other directors of the Great West Land Company, are they extant? If so we might see those if it is convenient.

MR. FOSTER: Very well.

MR. SHEPLEY: These reports upon motion were approved. "On motion the transfer of — acres of land from the C.P.R. were approved by the Board. On motion it was resolved that G. P. Scholfield be appointed on the Executive Committee in place of Mr. McGillivray, absent on account of illness, etc. (Reads down to the words "Mr. Hodson.") That is Mr. Foster would act in consultation with Mr. Hodson of the Union Trust Company in connection with sales of these lands? A.—Yes.

Q.—"The Board was of opinion that sales should be pushed with vigor, but not to the sacrifice of lands," etc. (reads down to the words "the meeting then adjourned.") Then in the other minutes on the 31st July, 1906, appears a minute of the Union Trust Company, and as you were present I will just ask you for an explanation of the minute. The gentlemen present were Mr. Charles McGee—that was after the change—Mr. Wilson, yourself, Colonel Davidson and Mr. O'Grady and the Hon. Mr. Ross—Mr. O'Grady came in with the new blood? A.—Yes.

Q.—"Mr. Wilson stated that certain purchasers from the Great West Land Company of blocks of land had given promissory notes in favor of the Union Trust Company which had not been paid in full at maturity and the Great West Land Company had given instructions that proceedings be taken to obtain immediate



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payment," etc. (reads down to the words "necessary proceedings")—do you remember that? A.—Yes.

Q.—What was that about? A.—There had been 100,000 acres of land sold, and for a part of the purchase price notes of the purchasers were taken.

Q.—Were they sold en block? A.—Yes, 100,000 acres in alternate sections.

Q.—Was that the same Chicago firm? A.—No, it was a sale that followed that. That note as I recollect it, matured for part of this payment July first. It had not been met, and we were insistent upon having the money, and the Great West Land Company through Mr. Wilson asked for permission to bring suit to recover on that note. We did not want suit brought in our name, and therefore the method of transferring it back to the Great West Land Company to bring suit if need be was adopted. It became unnecessary however to do that.

Q.—I see at a meeting of the directors of the Trust Company on the 28th August last there is a minute which I will read to make the record complete. "The President," that is Mr. McGee, "on behalf of the Committee with reference to the amount to be paid by the Great West Land Company for the sale of their lands in the North-West reported progress"—that seems to be the end of the record? A.—That was simply a matter of getting an adjustment for the compensation that the Union Trust Company should have for their part in the sale of lands of the Great West Land Company. We had our loan of course. Mr. Hodson had been giving his time and his assistance in connection with Mr. Foster to the sale of these lands, and the question arose as to the proper compensation for the Union Trust Company in that regard.

Q.—Then the present position of the mortgage is—I am not sure you did not tell me in outline, at any rate—we had better have it here—what is the present position of things with the Great West Land Company? A.—They owe us \$837,487.

Q.—They owe you that yet? A.—Yes; there have been sales made that have not been completed, and the sums of money paid on account of it as an earnest money have not been yet applied, but of the money actually applied there is a balance to date of \$837,000.

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Q.—Have you released any land from that mortgage by virtue of the provisions we were looking at a moment ago? A.—None whatever. I may say all the lands are still subject to our mortgage.

Q.—You have received the difference between \$958,000 and the 800,000 odd dollars? A.—Yes.

Q.—But nothing has yet been released in respect of it? A.—No; the outstanding contracts of sale represent nearly \$1,200,000, and in that connection I would be very glad if you will permit me to say that there have been 180,960 acres of this block of land sold. 80,960 acres were sold at an average price of \$7.69 net; 100,000 acres, that is 100,000 acres in alternate sections were sold at a price of \$6.50, making the average net price for the 180,960 acres sold, \$7.03, and leaving according to my figures or the figures in our office 25,840 acres unsold. That would make about 205,000, 202,000 in some place has been named as the amount. The cost on the first January was \$4.86, with interest added. Adding interest from January first up to say first September would bring it up to practically \$5.03, making the net profit of \$2 per acre on the 180,960 acres that have been sold, or in all \$362,000 or \$363,000. Those 25,840 acres are not yet sold, but I am advised by Mr. Hodson who is in the West that those 25,000 acres will probably be sold within the next thirty days.

Q.—Can you state a probable price? A.—We expect to realize the net price or \$7 an acre.

Q.—There will be for somebody, whoever is entitled to it, after— A.—A profit in the neighborhood of \$400,000 after we are paid off in full, and of that amount we claim the percentage that 337½ is to the 1,500 or 1,600, and in that regard my position is simply this that even though it were conceded that I consented to the relinquishment of that stock, I was one of four or five, it was just as much the duty of the other four to protect the Union Trust Company as it was my duty; therefore even if it were conceded I assented to that it would not affect the right of the Union Trust Company to the 337½ shares of stock.

Q.—And perhaps you would advance the contention that the giving up of that stock was absolutely without consideration? A.—Yes, and wholly upon the other ground that the par-

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ties in interest who voted the stock to themselves could not do it legally, even though with my consent, and therefore we insist we shall have whatever share that profit is in the relation of 337½ to the total amount of the outstanding stock, about 1,600.

Q.—Are you proposing to claim the stock as ear-marked at all into the hands of anybody in whose hands it may be found? A.—Yes; it is our purpose to follow that stock and to insist upon having our share of the profit on that transaction, that is upon the settled position of the Union Trust Company with reference to that transaction. Of course we are interested in that to the extent of two-fifths of the stock at the present time; as Foresters we are interested in the Union Trust Company to the extent of two-fifths of the profits; we still have a million dollars of stock in the Union Trust Company, and as Foresters are desirous of having that stock—

Q.—I do not know that you could not perhaps—I only make the suggestion, and it is not of course very valuable, but I do not know you could not ear-mark that stock as the transaction has taken the shape of mortgage assigned to the Foresters? A.—I should be very glad to do that; I thank you for the suggestion.

MR. SHEPLEY: I think it is proper before I go into this stock book and make it public that I should make some examination of it.

JUDGE MacTAVISH: Yes.

MR. SHEPLEY: I leave that question for the present to proceed to another matter.

Q.—You told me yesterday when you interposed objection to the Quebec limits, a transaction which fell through because the limits turned out not to be good, you said that was the origin of another transaction? A.—Yes.

Q.—And I want you now to tell us as fully as you can what the other transaction was you had in mind?

A.—So far as my information goes I will be very glad to do that. The next I heard of the Quebec transaction after the initial talk I referred to and the tacit understanding that we would, if the investigation of the property proved satisfactory undertake the venture, was that Messrs. McCormick and Irwin, who were to investigate the property, were not satisfied with it, and therefore that was abandoned. A little bit later, it may have been one month

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or two months, I cannot recall, but the first paper bearing upon the subject I think is dated in October, 1903, I was informed there was a timber proposition that was proposed by the same parties, Messrs. McCormick, Irwin and Fowler, in British Columbia. It proved to be the property that I understand and shall speak of as the Shields-Ryan property.

Q.—You are speaking of a date now in what month? A.—I think the option taken is dated October, 1903.

Q.—Go on, Mr. Stevenson? A.—That matter was broached practically, as I understood it, to take the place of the other one if it should prove satisfactory; whether there was any formal action taken or not I have no recollection.

Q.—Let us get first, if you please, the shape in which the Quebec timber transaction was to go through if it had gone through? A.—Messrs. Irwin, McCormick and Fowler were to assume 49 per cent. of the investment; for that they were to give their covenant by note or otherwise as should be found best, secured by their interest in the property. The other 51 per cent., which would be a controlling interest so far as stock-holding was concerned, was to be assumed by the Union Trust Co. as owners.

Q.—The Union Trust Company would find the money for the whole?

A.—Yes, loaning to McCormick, Irwin and Fowler 49 per cent. of the amount, and they were in addition becoming liable for 49 per cent. of the initial cost, were to become liable for the same percentage of any advance that should be made by the Trust Company to the venture, and for any losses that might be suffered in connection with the venture.

Q.—Before you pass on to the Shields-Ryan property I think you said yesterday that of the three named there was one whose covenant was said to be very good? A.—I understood two, I understood that both Mr. McCormick and Mr. Irwin's covenant would be good, and I did not know anything about Mr. Fowler's, but I understood the covenant of Mr. Irwin and Mr. McCormick would be good.

Q.—We will come back to October, 1903? A.—The Shields-Ryan property, as I speak of it, consisted of a

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saw-mill on a site containing about 25 acres of ground at Kamloops in the Province of British Columbia. They had something over 100 square miles of Dominion timber limits. The proposition was to purchase that property, saw-mill and timber limits, at \$225,000, the representation being that there was in the neighborhood of 500 million feet of standing timber, all accessible to the mill, and of a good class.

Q.—Let me interpose a question there, who brought the proposal before the Trust Company, as you have been informed or understood? A.—My understanding was it was Mr. Fowler who brought the matter, and it came to us through our manager.

Q.—Mr. Fowler brought the matter to the notice of the then company and the manager, Mr. Foster, brought it to the notice of the Board. A.—That was my understanding.

Q.—And the proposition was to purchase the Shields-Ryan mill property and the Shields-Ryan limits? A.—Yes.

Q.—For \$225,000? A.—Yes, and we paid \$225,000 in hard cash for it.

Q.—That is the Union Trust Company did? A.—Yes.

Q.—Were the parties to the transaction to share in the proportion of 49 and 51? A.—Yes, as finally agreed upon it was to be in the form of stock, to organize a company, which we did under the name of the Kamloops Lumber Co. with capital of \$500,000; the \$225,000 was to pay for the property and so much of the additional capital stock as might be needed for working capital would be used for that purpose.

Q.—But the capital stock was to be altogether \$500,000 and was it intended at that time to bring the public in, or were the Union Trust Company and these three gentlemen to be stockholders? A.—I never heard of any suggestion to invite the public at all.

Q.—Well then was it the intention that the company when formed should not only own and operate the mill, cutting the timber upon the limits that were then in existence, but that if necessary or found desirable, that there should be further properties purchased with a view to facilitating the operations of the mill? A.—There was no thought at the outset

of purchasing additional property. In the beginning we had no thought of anything beyond the Shields-Ryan property, involving the \$225,000.

Q.—And that proposition was to be worked out by stock of the company to the extent of \$500,000, using the other \$275,000 if necessary? A.—As working capital.

Q.—Was Mr. Fowler taking part in the plan-making that was going on? A.—Mr. Fowler was to be represented with McCormack and Irwin in the 49 per cent. The Union Trust Company was to hold the 51 per cent.

Q.—Then who was to act for you all in negotiating the transaction and bringing it about? A.—As I understood it Mr. Fowler was to secure the option and Messrs. Irwin and McCormack were to go and examine the land; that is the timber; to see if the timber as represented was there, and generally overlook the condition, to see whether it was a desirable project to engage in.

Q.—You say Fowler was charged with the duty for you all of negotiating the operation as you called it? A.—That was my understanding that Fowler was acting with us and for us.

Q.—You were not taking part in the negotiation directly yourself? A.—Not at all.

Q.—Nor anybody else? A.—Not at all. We were entrusting that to Fowler.

Q.—Who had introduced the proposition? A.—He had introduced the proposition. We had agreed to furnish the money, if the proposition upon investigation proved to be satisfactory upon the conditions I have named.

Q.—Did you have a report upon the negotiations? A.—Yes, Messrs. McCormack and Irwin both went to British Columbia, both examined the property and returned and recommended its purchase. Upon their recommendation it was purchased.

Q.—About Mr. Fowler, did he conduct the negotiations contemporaneously with the examination of the property, or how was that? A.—Mr. Fowler had taken an option that gave, I think, three months in which to examine the property, or at least they had the right at any time within three months to exercise the option, the right of purchase, and the investigation was made in the meantime, during that three months, so that the



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option being dated, I think, in October, the transaction was completed about the end of the three months, in the following January.

Q.—Did you see the option? Had you physical possession of it, so that you were able to speak of its contents? A.—I have seen it since. I cannot say that I saw it at that time.

Q.—I would like to have the papers with reference to this transaction. I am told—and I only say it because I am told—that the Union Trust Company and Mr. Foster are in charge of this.

MR. NESBITT: I do not know.

MR. SHEPLEY: Mr. DuVernet will have the papers. I want all those things. I want a general production of all the books and documents belonging to the company.

Q.—I understand that Mr. DuVernet, knowing that we were thinking of examining into this transaction, thinks it is within the scope of the inquiry. I have not concerned myself to ask anybody else about it? A.—If there is any difficulty about it, if you will tell me what you want I will try and get it.

Q.—You have spoken of the option? A.—Yes, I have seen the option, and I know that it provided for the purchase of the property at \$225,000. I have a copy of the agreement that followed that, if you care for that.

Q.—Yes, I will take what I can get as fast as I can get it, and ask for more? A.—You gave me notice to produce what I had in the way of copies, or Mr. Tilley did, and I gathered together what papers I had on the subject. If I have not a complete set I will endeavor to get the rest. I have not a complete copy of the matter, but I will endeavor to get that.

Q.—This is apparently an indenture. If there is anything earlier in connection with this I would rather take them chronologically? A.—Yes, there is an option, but I have not it here, that is the only paper earlier that I know of.

Q.—We will take this because I suppose this superceded the option in the end. This is made on the 28th January, 1904, and is between Peter Ryan — A.—Pardon me, I would like to make a correction. My impression is, upon reflection, that the option is for \$250,000, but it included some property that was not finally taken.

Q.—I am reminded that before I look at this we had better look at the

minute of the Union Trust Company, which precedes this, the minute of the 19th December, 1903. A proposition was laid before the Directors by the Manager in reference to providing money for the purchase and working of certain timber berths in British Columbia, as described in a memorandum of agreement entered into between Peter Ryan of Toronto and George W. Fowler of Sussex, giving an option to the latter by the former (reads) that seems to be the first minute bearing upon the subject? A.—Yes.

Q.—That refers to the option and we will have the option later. That is the 19th December. Then on the 26th January this bargain is made between Peter Ryan and George W. Fowler. Peter Ryan is called the vendor and George W. Fowler is called the purchaser, and I see Mr. Ryan is described as the Registrar of the Eastern Division of Toronto, a very well known man here, is he not? A.—I understand so.

Q.—Who is Mr. Fowler, do you know? A.—I only know by reputation. He is a member of Parliament, who resides at Sussex, in the Province of New Brunswick.

Q.—“Witness that the vendor hereby sells to the purchaser, and the purchaser hereby purchases from the vendor.” This is the concluded arrangement and excludes any property that was not taken over under the option? A.—The amount was reduced from \$250,000 to \$225,000 by the omission of some property that was originally included in the option.

Q.—(Reads.) Now 129 miles of Dominion timber land; that is one description. Also two square miles of Provincial timber limits now being operated by the vendor or the Ashcroft Company. (Reads.) That is 2 square miles being operated, probably not by Peter Ryan, but by the Ashcroft Company? A.—They were probably getting their logs for the season from that small piece of Provincial limits.

Q.—Is that a copy? A.—Yes.

Q.—I will mark it for identification, Property No. 1 and Property No. 2 and the 3rd Property is the mill site at Kamloops, being 25 acres more or less, together with the mill and property thereon (reads down to the words “20th October, 1903”). A.—That was the date of the option.

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Q.—Those three properties are described, the Dominion timber limits, the two square miles of Provincial lands and the mill and plant? A.—Yes.

Q.—Then it says “together with the right of the said Ryan to select other timbers in the place of any other already selected” (reads). You know what that refers to? A.—There was on one of the limits especially in the selection that had been made, or within the boundaries of a certain limit, some land which did not have very much timber upon it, and it was understood that Ryan had the right to make some selection of other timber in the place of that in some other timber berth, and that we were to get the benefit of Ryan’s right in that regard.

Q.—I will call that No. 4 because it is distinct from the rest. Then No. 5 “the vendor also sells to the purchaser all logs lying in the Adams River” (reads). That involved extra payment of course beyond the \$225,000? A.—Yes, for the logs that was additional.

Q.—“The vendor also agrees to assign to the purchaser” (reads). That is turning over a certain contract under which Ryan was entitled to have logs cut and delivered? A.—Yes, that is it.

Q.—Then the purchaser was to pay Crown dues on all logs cut and sold? A.—Yes.

Q.—That meant that you were to be subrogated to his rights under this contract? A.—Yes. In addition to the \$4.50 a thousand we paid on the banks of the river, we were to pay the Government charges.

Q.—And, I suppose, you would have to pay any charges to the man who was cutting the logs? A.—Yes.

Q.—And the scaling of the logs is to be done by two different parties, and in case of disagreement there is to be a third appointed, and a majority to decide. The vendor agrees to proceed to Ottawa in company with the purchaser and to use his best endeavours to secure an extension of the time as to berth 37. That is the second berth (reads). Perhaps we need not go back to that again if I ask you the question, was that satisfactorily adjusted? A.—I think it was satisfactorily adjusted.

Q.—Did any \$5,000 come due under that? A.—There was no deduc-

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tion. We paid the full price, \$225,000.

Q.—There is to be \$100,000 in cash and an assignment of licenses, etc. (reads). You apparently were to get a good title, or Fowler rather at this stage, was to get a good title and you were to be paid \$100,000 cash on getting the license and the balance on the completion of the title? A.—Yes.

Q.—Then as to the purchase price of the logs, that is settled. As to the mill site, plant, etc., the purchaser shall be allowed a reasonable time, not to exceed thirty days, to investigate and pass on title. Then there is a provision that all improvements and additions to building, plant, and so on made since the 23rd October, 1903, shall be paid for. That was all adjusted, I suppose? A.—That was all adjusted, October 24th being the date of the original option.

Q.—Then insurance policies are to be signed without any charge for premium or otherwise. Then there is the usual provision that these covenants are to enure to the benefit of the heirs, etc., and that is signed Peter Ryan, George W. Fowler, and the witness is R. C. Levesconte. Now, what is the next? A.—I think attached to that is an assignment.

Q.—That is the 8th February. Then Mr. Fowler, presumably, reported that he had entered into this transaction, and I presume that the agreement was drawn here? A.—That I have no personal knowledge of, but I understand that to be so.

Q.—Do you know for whom Mr. Levesconte was acting? A.—I do not know Mr. Levesconte at all.

Q.—Then on the 8th February there is what you have just spoken of as an assignment from Mr. Fowler to Mr. Foster, and that seems to be the next document. A.—So far as I know, that is the next document.

Q.—That is the 8th February, 1904, “whereas the said vendor together with George McCormack and William Irwin contemplated purchasing and desired to negotiate for the properties hereinbefore described or referred to and have applied to the Union Trust Company of Toronto to join them in such purchase according to the terms of this agreement” (reads down to the words “and it is herein declared”). What has that reference

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to? A.—I cannot recall that, Mr. Shepley.

Q.—“And whereas it is now necessary to procure and pay to the said Ryan” (reads). That means to secure to the said Union Trust Company? A.—Yes, secure.

Q.—It says “advice or payment”; that should be “advance or payment”? A.—Undoubtedly.

Q.—The first trust then is to indemnify the Union Trust Company, I suppose it was by virtue of his managership of that company that he was named as trustee? A.—Oh, undoubtedly, I understood that was just a step leading up to the step that was officially made, and that Mr. Foster was officially representing the Trust Company in taking the security for the money the Trust Company was going to advance.

Q.—“And to hold the said property in trust for the Union Trust Company, Limited, to the extent of 51 per cent.” (reads down to the words “to convey to the said trustee.” That is in accordance with the arrangement as you have already outlined it? A.—Yes.

Q.—The formation of a company seems to be a very favorite way of taking out these propositions. I suppose it is almost universal? A.—So far as my knowledge goes.

Q.—The four persons to be named by the Union Trust Company would be merely their names—they would not have any beneficial interest? A.—Oh, no, someone to represent the Trust Company, to represent the 51 per cent.

Q.—What has that reference to, 2,250 shares? A.—That was the amount of money, that had to be advanced to pay for this property, the \$225,000.

Q.—The initial expenditure in the purchase of this property? A.—Yes, \$225,000 and therefore 2,250 shares, of par value would be issued to cover that.

Q.—That would be 2,250 shares issued to the Union Trust Company out of 5,000 shares, and that would be part of the Trust Company's 51 per cent.? A.—Yes, 51 per cent.; that would be for the Trust Company and 49 per cent. for Irwin, McCormack and Fowler.

Q.—I think you told me at that time it was not contemplated the money should be raised from the public, but it was contemplated the

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Union Trust Company should put up whatever was necessary? A.—We expected they would advance whatever was necessary.

Q.—Supposing they would advance the whole amount, were they to have the whole of the stock? A.—No. If there was \$275,000 required or any part of it, 49 per cent. was to be assumed by the three gentlemen named, and the relative proportions of 49 and 51 were to be continued throughout, and it would simply increase the liability of these three gentlemen to the Trust Company, proportionately as 49 to 51. It was thought at one time—Mr. Wilson's idea was to have a mortgage security for the money. I thought that was cumbersome, and I thought an assignment would give us all the control of the stock we wanted in any way, and that method was adopted finally.

Q.—No stock was to be transferred without the approval of the company to be formed and also the Union Trust Company; they were to keep control in that way. “Then the said vendor and McCormack and Irwin shall be personally liable for” (reads). Then similar provisions as to the Union Trust Company being liable for and borrowing 51 per cent. (reads). Then there is a provision for the formation of still another company (reads). That would be ancillary to the working of your limits? A.—Yes, a charter by a local company in British Columbia should be formed to improve the streams and to obtain control of the streams, so far as to charge for the run of logs and so on. It would give the company some advantage in the way of controlling the lumber on the streams. On that same day there was another paper.

Q.—This is between Fowler the vendor and the Hon. George E. Foster, General Manager of the Union Trust Company hereinafter called the vendee (reads). That was just to complete the transfer of Ryan's right? A.—Yes.

Q.—When I speak of Ryan I am speaking of the Ryan interest? A.—Yes.

Q.—I am not defining it too closely at the moment. I see there is a minute of the Board Meeting of the Union Trust Company of the 8th February at which Mr. Wilson, yourself, Sir John Boyd, Colonel Davidson and Mr. Fowler were present.



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The British Columbia timber limits were discussed (reads resolution). That relates to this? A.—There is one clause in that last paper that I attach some importance to simply as indicating we considered we were paying full consideration for the property.

Q.—This is the clause (reads clause). A.—The vendee is paying the consideration which we understood to be \$225,000.

Q.—Plus the scalage of the logs? A.—Yes.

Q.—That is the 8th February, 1904? A.—Yes.

Q.—What was done in pursuance of that. I suppose the money was paid? A.—It was paid in three or four cheques. \$100,000 was paid in a cheque issued directly to Mr. Ryan, and the balance of the \$225,000 is in several cheques that were issued, payable to the Bank of Montreal, and were delivered to the bank of Montreal, apparently as they were collected from the Bank of Montreal, only one of them, however, has the endorsement of Ryan upon it. Those cheques are available if it is desired to have them.

Q.—Yes, it will be desirable to have those cheques? A.—They will be here in the morning.

Q.—Have you a statement of them in the meantime? A.—I have not, I am merely stating from recollection.

Q.—Probably in the examination that we have made we have assembled some of these cheques in other larger items, because my first item in the account I have had furnished to me is "to Peter Ryan on behalf of the Ashcroft Water Electric Improvement Company. \$150,000?" A.—No, the first cheque was \$100,000, even. My impression is there would be a cheque, of \$50,000 and one of \$25,000.

Q.—There would be another of \$50,000 to make that \$150,000? A.—Yes.

Q.—I find here deposited in the Bank of Montreal 29th February, 1904, \$50,000, and on the 29th May, \$25,000? A.—The aggregate is correct.

Q.—The cheques can be forthcoming in the morning so that we will have the dates of the payments? A.—Yes.

Q.—And I think we should have the books which show these payments

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showing all the items in connection with these accounts? A.—So far as I know there is no objection to it, is there, Mr. DuVernet?

MR. DuVERNET: No. I have three large boxes of papers at your disposal. I do not know what you want yet. Everything in connection with this matter is in three boxes with the Trust Company.

MR. SHEPLEY: Perhaps you could arrange to let us have them to-night.

MR. DuVERNET: Yes.

MR. SHEPLEY: Let us have them so that we can investigate them to-night and see what bears upon the inquiry.

Q.—What do you know, Mr. Stevenson, either of your own knowledge or as the result of inquiry, as to the progress and culmination of the negotiations to purchase? A.—I know that the matter was closed by the money being paid and the property being conveyed as arranged, and the company was organized on the lines that are laid down in that agreement.

Q.—There are, of course, books in connection with the Kamloops Lumber Company? A.—There are stock books and undoubtedly a complete set of books relating to the affairs of the Kamloops Lumber Company.

Q.—Those are in the control of the Union Trust Company? A.—Yes.

Q.—Those also might be included in what Mr. DuVernet has already spoken of, if they are not already included, because we want to go through those. Then was there any hitch about the title. Was there any question or difficulty raised about the title to the property? A.—If there was, it has not come under my observation.

Q.—Did you become aware of the fact that somebody was employed to investigate the title? A.—I understood there was.

Q.—Who did you understand employed the person that was employed—whose solicitor was he? A.—I suppose it was ours, but it was done through Mr. Fowler. I understand a gentleman at Kamloops, a member of the Government up there, Mr. Fulton, a member of the Government and Counsellor at Kamloops, and it was my understanding he was employed to make an investigation as to title and pass upon it.

Q.—Have your inquiries enabled you to say whether or not you understand that you did get a good title? A.—My understanding is we got a

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good title. I never heard anything to the contrary.

Q.—Have you made such inquiries as will enable you to say what part Mr. Levesconte took? A.—I never knew Mr. Levesconte in the matter at all.

Q.—You did not know him as a solicitor engaged in investigating the title or anything of that sort? A.—I did not know him in connection with the matter at all. I do not know the gentleman at all.

Q.—You went on, and your accounts, I suppose, will show what monies were subsequently advanced by way of operating expenses? A.—Yes.

Q.—What was the method adopted? Did you send lump sums of money on to Kamloops to the mill for running operations, or was the bookkeeping done here? A.—The bookkeeping was done here, and they drew for what money they required. Mr. McCormack was placed in the management of the properties and drew or wrote, indicating the amount of money that was required for different purposes, and the money was forwarded and their drafts were honored.

Q.—And the books were kept here? A.—There was a set of books at Enderby, which was the head office, and also at Kamloops, and a set of books at Enderby for the entire thing.

Q.—Having told me in outline that, perhaps you would next tell me of the acquisition of other properties in the course of the operation of the mill? A.—What was called the Shuswap Shingle Mill property.

Q.—That is at Annis, I think? A.—At Annis, with quite extensive timber limits, principally on what is called Celestial Creek, adjacent to that point. There was in operation at that time a shingle mill and the necessary adjuncts, boarding houses and that sort of thing, and it was represented that good policy would cause us to secure Provincial timber limits and conserve our Dominion timber limits. I presume you understand the reason for that?

Q.—I heard it two years ago when I was in British Columbia? A.—Well it cost \$5 per square mile per annum to carry Dominion limits, and it cost \$115 per square mile to carry Provincial limits. It was very much cheaper to carry Dominion limits than Provincial limits, and therefore it was thought we ought to secure Provincial limits for the immediate future and conserve Dominion limits for the ultimate rise in value, which it was

considered would necessarily follow, and in pursuance of that policy this property, which consisted principally of Provincial limits, was purchased at \$40,000 as I recall.

Q.—That is the undertaking of the Shuswap Shingle and Lumber Company? A.—Yes.

Q.—That was then an existing company? A.—Yes, and operating a shingle mill at Annis, which is four or five miles from Siccamous Junction on the line of the C.P.R.

Q.—And the idea was that that property should be acquired by the Kamloops Lumber Company in pursuance of the policy you have stated? A.—Yes.

Q.—So that you should have the Provincial limits for immediate cutting? A.—Yes, that arrangement was consummated, and we paid, as I recall, \$40,000 for that property.

Q.—Who carried on the negotiations for you in connection with that? A.—Mr. Fowler.

Q.—Were the negotiations carried on by the Union Trust Company, as nominee, or by the Kamloops Lumber Company? A.—I think by the Union Trust Company. The Union Trust Company regarded the matter as pretty much under its directions. In fact most of the questions concerning the Lumber Company were considered at Union Trust meetings, rather than at Board meetings of the Company itself.

Q.—Your understanding was that the price was \$40,000, and the Trust Company paid that, of course? A.—If I am right in the amount. I have not verified the figure.

Q.—Do you know who was entrusted with the payment of that money? A.—I have no doubt Mr. Foster could tell, but I can ascertain. I have no doubt the vouchers are available for that money as well as the other.

Q.—That is one property, the Shuswap Property; what other property? A.—There was a property at Enderby, British Columbia. Enderby is a town about 20 miles to the south of the main line of the C.P.R. from Siccamous Junction. There was a mill in operation there, a single band mill, and connected with that extensive timber limits, and that proposition was presented and it was represented, in fact Mr. Irwin stated at a conference that was had, that if we did not acquire that property that he would withdraw from the other and acquire that property himself and largely on

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Mr. Irwin's account, rather than because we wanted to acquire the property ourselves or go any deeper into it, we consented to acquire that property, and we paid \$175,000 for that property.

Q.—The total amount is given to me at \$177,855 and some cents? A.—Well, we purchased, of course, logs in connection with that, that we paid for in addition.

Q.—Who was conducting negotiations for the purchase of that property? A.—It was done through and by Messrs. Fowler, Irwin and McCormack. Irwin and McCormack were supposed to be practical men who investigated the value of the timber, and Fowler was practically the promoter.

Q.—My information is that the whole of this purchase money was paid into the Bank of Nova Scotia to the credit of Mr. Fowler? A.—Well, that I have never looked into.

Q.—That can be ascertained, I suppose? A.—Unquestionably we have the vouchers. That was the property that I have learned since was owned by a corporation organized under the laws of British Columbia, as I believe, the name of it being the Okanagan Lumber Company.

Q.—The Okanagan Lumber Company? A.—Yes. Just how the stock in that company was held I do not know, although I have understood that Mr. McCormack, Mr. Irwin and some others were stockholders in that company that we purchased.

Q.—Did you understand that at the time? A.—Yes.

Q.—Was Mr. Fowler? A.—Not that I am aware of.

Q.—Then my information is that you paid for logs under a separate contract, some \$42,000? A.—I do not recollect that amount, but I should think that was correct. I think those logs were paid for at \$6 per 1,000.

Q.—I wonder if you remember as to the shareholding in the Okanagan Lumber Company. I have first Mr. George McCormack; that you think is so? A.—I have no doubt he told me he was a stockholder.

Q.—He was a director and general manager of the Kamloops Lumber Company? A.—He became the managing man for the Kamloops Lumber Company in the West.

Q.—Was Mr. Irwin an officer at all of the Kamloops Lumber Company? A.—That I do not know, whether he was a stockholder of record, or whether he acquired some stock belonging

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to a Mr. Bull I do not know, but Mr. Irwin in some way became interested.

Q.—You mean in the Okanagan property? A.—Yes.

Q.—And Mr. Irwin was a director of the Kamloops Company? A.—It was supposed he would be, but that fell through.

Q.—He was one of the incorporators? A.—Yes, and the agreement, just as has been outlined here, was signed by Irwin with the others, agreeing to join with McCormack and Fowler in the 49 per cent. He assigned the agreement. When it came to the point of executing a joint note for the 49 per cent. Mr. Irwin declined, and as a result of the dissatisfaction growing out of that Mr. Irwin withdrew.

Q.—And did the whole of the 49 per cent. then remain in the other two? A.—No, 37 per cent. then was the amount that was assumed by Mr. Fowler and Mr. McCormack.

Q.—And the Union Trust Company assumed— A.—63 per cent.

Q.—That is another 12 per cent. in addition to the 51 per cent.? A.—The proportion that Mr. Irwin was to have taken was assumed by the Union Trust Company.

Q.—What was the objection of Mr. Irwin? Was he afraid of the proposition? A.—No, he said the proposition in itself he had absolute confidence in and he was willing to put up \$100,000 in cash if necessary; but he would not become responsible for McCormack and Fowler for their share of the obligation they were assuming.

Q.—He was not satisfied to assume any obligations except those that belonged to him? A.—And that after he had joined in an agreement with us to do it.

MR. FOSTER: He made it a fixed principle never to join notes with anybody.

MR. SHEPLEY: Q.—Do you remember Mr. Haie being a member of the Okanagan Lumber Company? A.—Yes, he was managing that company.

Q.—Who was he? A.—I met him at Enderby subsequently. He is now engaged in some milling operation in British Columbia, in the Kootenay District, I think near Fernie.

Q.—Do you know Mr. Beatty as a shareholder? A.—I know him by



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reputation. Mr. Beatty was then the manager of the Arrowhead Lumber Company, a very large business at Arrowhead Lake, south of Revelstoke.

Q.—Did you know Mr. George Bull as a member of that company also? A.—I have heard his name mentioned in connection with it, but whether Mr. Bull was in it, or had parted with his interest to Mr. Irwin, I am not sure.

Q.—Your payment for the Okanagan Lumber Company was \$175,000 odd, plus \$42,000 for the logs? A.—Yes.

Q.—And you will ascertain for me whether or not Mr. Fowler had the handling of that? A.—Yes, I have a copy of the agreement between the Trust Company and Mr. Fowler and Mr. McCormack, that was finally consummated after Mr. Irwin withdrew.

Q.—That is the 18th June, 1904? A.—Yes.

Q.—That I will take up in the morning, if you will leave them with me. A.—Yes, and here are one or two other papers you may look at.

(The Commission then adjourned from Tuesday, September 25th, at 4.30 p.m. to Wednesday, September 26th, at 10.30 a.m.)

#### SEVENTY-FOURTH DAY.

#### MORNING SESSION.

Toronto, Wednesday, Sep. 26, 1906.

MR. SHEPLEY: Before going on with the work of the day Dr. Montague is here this morning and is tendering himself as a witness for the purpose of assisting the Commission. I have explained to him that it is not practicable to depart from the course we are pursuing, that it perhaps puts us into confusion. He sees the force of that and assures me he will be available at any time.

Examination of ELLIOTT G. STEVENSON continued:

MR. SHEPLEY: Q.—Did you bring the option this morning? A.—I understood, Mr. Shepley, that it was among the papers that were sent you last night.

Q.—We have here the cheques in connection with these transactions, or some of them, and we will go at those for a moment. This bundle of cheques is in connection with the purchase of the Kamloops Lumber Company property from the Ryan people, we will say from Ryan? A.—Yes.

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Q.—And there are altogether five cheques? A.—Those cheques I have seen and examined before.

Q.—The first cheque is to Peter Ryan personally and is dated 9th February, 1904, and is for \$100,000. It is endorsed over to the Bank of Montreal or order by Mr. Peter Ryan and bears the Bank of Montreal stamp. That first cheque was followed on the 23rd February by an authority from Peter Ryan to make further payments to the Bank of Montreal, and that authority is among the papers. This is addressed to the Union Trust Company and the Hon. George E. Foster, Toronto: "In the matter of the payments of \$50,000, \$25,000, \$25,000 and \$25,000 respectively, as per agreement for the purchase and sale of the B.C. limits, you will please pay the several amounts as above to the Bank of Montreal, Toronto, to my account, and this will be your authority. Yours, Peter Ryan." That is accompanied by a letter from the Bank of Montreal enclosing that and asking the money to be paid direct to them. Following that is a cheque of the 9th March payable to the Bank of Montreal for \$50,000, that was on that account and is so marked? A.—Yes.

Q.—April 9th, \$25,000 on that account to the Bank of Montreal? A.—Correct.

Q.—\$25,000 on the 9th May to the Bank of Montreal on that account; and \$25,000 on the 9th June to the Bank of Montreal on account of Peter Ryan re Kamloops Lumber Company, making in all the \$225,000? A.—Yes.

—The five cheques referred to and authority to the Bank filed as Exhibit 497.

Q.—I follow that with the cheques in connection with the purchase of the Shuswap property. The first is a cheque of the 20th June, 1904, to the order of the Shuswap Shingle & Lumber Company, Limited, James C. S. Shields and Maxwell R. Gregg for \$10,000. You have told us, I think, of John Shields, who was James C. S. Shields? A.—James Shields was, as I understood, the practical owner of the Shuswap property. Mr. Gregg's name I do not recall having heard mentioned.

Q.—Gregg's name you do not remember in the transaction? A.—No.

Q.—That seems to have been endorsed by all three payees, Mr. Shields describing himself as Secretary-Treasurer in the signature of the com-

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pany? A.—That would accord with my understanding of his relation to the company.

Q.—The next cheque is the 7th September, and is payable to the Imperial Bank of Canada, Toronto, as are the other two cheques, the Imperial Bank was the banker for this concern? A.—Yes.

Q.—That cheque is also for \$10,000, and is marked "Second payment purchase money Shuswap Shingle & Lumber Company?" A.—Yes.

Q.—The third cheque is 7th October, Pay to the Imperial Bank for credit of the Shuswap Shingle Company, \$10,000, third payment on account purchase; and the fourth cheque is the 7th November, the Imperial Bank for the Shuswap Shingle Company, \$10,000, marked simply "fourth payment"? A.—You will observe that the latter three cheques are the cheques of the Kamloops Lumber Company, while the first one and the Ryan cheques are the cheques of the Union Trust Company.

Q.—Yes, that the Ryan cheques should be the cheques of the Union Trust Company does not attract any notice at all, but that one of these should be the cheque of the Union Trust and the other three the cheques of the Kamloops Lumber Company requires perhaps some little explanation; what were you going to say about that? A.—That the payment was made on account of the Kamloops Company and charged to the Kamloops Company. The other payments are made directly by the Kamloops Company. Whatever the Kamloops had to draw against would be credits for the Kamloops Company either on account of the McCormick-Fowler-Irwin interest or their own stock interest or subscription or payment of subscription—

Q.—These are the cheques of the Kamloops Lumber and this is the way they are signed: there is a rubber stamp, the Kamloops Lumber Company, Limited, John I. Davidson, Vice-President; the Union Trust Company, Limited, J. M. McWhinney, Assistant Manager? A.—The Union Trust Company served as Secretary-Treasurer of the Kamloops Lumber Company.

Q.—And that Union Trust Company signature is intended to be the signature of an officer of the Kamloops Lumber Company? A.—Yes.

Q.—The same way as the others signed by Mr. Foster as General Manager? A.—I think, perhaps, the first cheque was before the organizing of

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the Kamloops Lumber Company was completed, and the cheques that followed that was after the completion of the organization of the Kamloops Lumber Company.

—Cheques re Shuswap property filed as Exhibit 498.

Q.—The next lot consists of cheques in connection with the purchase of the Okanagan Company's property? A.—I understand so.

Q.—The first of those cheques is the 4th July, 1904, that is the cheque of the Union Trust Company? A.—Yes.

Q.—That is for \$20,000, and is payable to the order of the Bank of Nova Scotia for deposit to the credit of G. W. Fowler, M.P., re Kamloops Lumber Company, on purchase of Okanagan property, and it is endorsed by the teller of the bank as having been credited to the account of George W. Fowler? A.—Yes.

Q.—The next cheque is the first August, 1904, and is the cheque of the Kamloops Lumber Company? A.—Yes.

Q.—And the same observations with regard to the signing of the rest of those cheques that were made in the other case could be made here? A.—I think that would apply to this.

Q.—That is the cheque to George W. Fowler, or order for \$40,000, re purchase Okanagan property, and it is endorsed George W. Fowler and apparently found its way into the Bank of Nova Scotia. Then the next cheque is in order of time, August 30th, 1904. It is a cheque "Pay to the Standard Bank for draft on Vancouver to George P. Hale, or order, \$2,008." That bears no endorsement at all, but of course went to purchase the draft? A.—Yes.

Q.—The next cheque is the first November, 1904, and it is payable to the Bank of Nova Scotia for deposit to the credit of George W. Fowler on account purchased Okanagan Lumber Company, \$40,000; that is endorsed by the Bank as credited to the account of Mr. Fowler and appears also to have found its way into the Bank of Nova Scotia? A.—Yes.

Q.—The next cheque is the 7th November, 1904, a small cheque to F. H. Hale, or order for \$18.50, it is endorsed by F. H. Hale, for deposit, the Enderby Trading Company? A.—Yes.

Q.—The next is the 24th November, payable to the Bank of Nova Scotia for credit to George W. Fow-

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ler or order \$20,000, and endorsed by the Bank of Nova Scotia. The next is first February, 1905, Bank of Nova Scotia for credit of George W. Fowler or order \$57,855.48. These are the cheques you gave me apart from the payment for the logs? A.—I am not sure whether that \$57,000 cheque included logs or not. I will foot them up. (Witness adds up the several amounts). That would be just for the property itself. Those come to \$177,855 and that would be just for the property itself I think.

Cheques re Okanagan property, filed as Exhibit 499.

Q.—In addition to that there are these cheques to Hale for the \$2,008 and the \$18.60? A.—Yes.

Q.—You observe that with the exception of the two smaller cheques to Hale these moneys were put apparently to the credit of Mr. Fowler? A.—Yes.

Q.—Can you tell me how that came to be, what was his relation to the matter, in what capacity did he repay the money? A.—I understood that Mr. Fowler was acting for the Kamloops Company in purchasing this property, but just why the payments were made in that way I do not know, I have looked up for authority similar to Mr. Ryan's, and we have not found any, and all I know about that is I saw Mr. George McCormack, who was a stockholder and he told me he had received his full share of that purchase money. That is all the information I have on the subject as to what Mr. Fowler did with the money.

Q.—What his share was you do not know? A.—No, I saw Mr. McCormack last Saturday in Chicago.

Q.—Have you had any conversation with Mr. Fowler upon the subject? A.—None whatever.

Q.—I might ask you whether you happen to know where he is at the present time? A.—I cannot say that I know where he is now.

Q.—Where was he when you knew of him last? A.—I had a message from him at Banff.

Q.—From Banff? A.—Yes. May I explain?

Q.—Yes. A.—Negotiations for the sale of the Kamloops property were under way, and about reaching, as I expected, a consummation.

Q.—That is the same you were hoping the Union Trust Company would get out? A.—Yes, entirely, and Mr. Fowler and Mr. McCormack had their

stock interest in the Kamloops Lumber Company, and Mr. Fowler was also a director of the company and lived in New Brunswick. Mr. Foster was in New Brunswick on his vacation, and had also been a director, and I desired to have the Board of Directors re-organized as I felt it would be difficult perhaps when the time came to close the matter to get Mr. Fowler or Mr. Foster here, and I think about a month ago I wrote Mr. Foster asking for his resignation as director. He immediately sent it with a note saying he had already transferred his stock interest to the Trust Company and he had assumed it was not necessary for him to formally tender his resignation or he would have done it previously. Mr. Fowler replied that before he resigned as director he desired to be released from his liability upon a note for \$185,000 that the Trust Company held for a portion of the original investment. That came while I was away at Kamloops, and upon my return I found that Mr. Fowler had been here and had gone West. I was informed he was at Winnipeg. I wired him at Winnipeg, stating that I understood his position to be that upon a release of liability on the part of the Trust Company he would surrender his interest in the Kamloops Company and we were willing to do that, and if that was a proper understanding of his position to confirm it by wire. That message seems to have been forwarded from Winnipeg to Banff, and Mr. Fowler replied from Banff saying that that correctly expressed his position in relation to the matter of the Union Trust Company. In reply I sent a telegram to him saying they accepted his proposal and would act upon his release of his interests. That is all I know of his whereabouts.

Q.—Can you give me the date of that wiring? A.—It was about the middle of last week, Wednesday or Thursday perhaps. I had an appointment at Chicago to meet the proposed purchasers on Saturday, and I was especially anxious to get into communication with Mr. Fowler upon that subject before that time, with the result that I have stated.

Q.—Let me go back to the inception of the transaction respecting the Kamloops Lumber Company, or which resulted in the formation of the Kamloops Lumber Company; we have seen



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by the cheques the \$225,000 that was paid, have you had any reason to doubt whether that was the true consideration or not? A.—About a month ago my son, who is in the West, sent me a copy of a Vancouver paper; that threw some doubt upon it.

Q.—There was litigation going on in the Province of British Columbia? A.—It purported to be a report of the testimony of Mr. Peter Ryan in the controversy pending in Court there between him and Mr. John Shields.

Q.—What was the gist of the statement which threw doubt upon the \$225,000 being the true consideration? A.—That is the paper. The gist of it was that Mr. Ryan's testimony indicated that the true consideration was \$170,000 and that he had paid back to Mr. Fowler of the \$225,000 \$55,000 I got the first impression, but I understand since that the full amount has not been paid back, but that a sum under \$50,000 has actually been paid.

Q.—This is the newspaper your son sent you? A.—Yes.

Q.—It is dated 14th July, 1906, and is the newspaper called the Daily Province, published at Vancouver; do you remember whether this states there were two options really signed? A.—I was in doubt about that; the impression I got was there was an option or paper naming the true consideration, and that the option that was presented to us was a fictitious one over-stating the amount with a view to getting additional money out of us, as I gathered from it.

Q.—That is the additional \$55,000? A.—Yes.

Q.—If the true consideration was \$170,000, if you paid Ryan, as you seem to have done on his authority, \$225,000, then you paid \$55,000 which has gone somewhere? A.—We have been swindled out of \$55,000, out of that amount. Who swindled us have got to account for it. We are awaiting the results of this investigation to ascertain who the parties are aside from Mr. Fowler, and when we ascertain that our solicitors have instructions to take steps to recover from any and everybody who had any connection whatever with it.

Q.—Have you had any doubt cast upon the reality of the other transactions? A.—Nothing except a suspicion that naturally arises from the first. I have nothing beyond that.

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Q.—You have not seen anything that carries you beyond suspicion? A.—No.

Q.—Are you, or have you yourself been pursuing, or has the Union Trust Company been pursuing, the subject with a view of acquiring information? A.—Yes, sir.

Q.—And have you information which is said to come from any of the parties to the transaction? A.—Well, only what Mr. Tilley was kind enough to show me the other day, some cheques; that is the only original information that I have upon the subject. I called upon Mr. Foster about a week ago when he first came to the city and informed him of what I had learned through this newspaper, and he said he had heard of the same thing, that he had had no information whatever than that \$225,000 was the true consideration for the property when the transaction was made.

Q.—We may perhaps as well put in the cheques of which you spoke at this stage. These are all cheques of Mr. Peter Ryan? A.—Those were the cheques that were shown me.

Q.—And they are all Peter Ryan's cheques? A.—Yes, payable to the order of George W. Fowler.

Q.—They are all upon the Bank of Montreal except one, which is upon the Sovereign Bank of Canada? A.—Yes.

Q.—One is the cheque of the 9th February, \$12,000, payable to George W. Fowler? A.—Yes.

Q.—One is cheque 26th March, 1904 for \$5,000 to George W. Fowler. There Mr. Ryan has added M. P. One is 9th April, 1904, \$5,000, George W. Fowler; one is 1st May, \$5,000, George W. Fowler; one 11th May, \$11,000, George W. Fowler; one 10th June, \$5,000, George W. Fowler; one 15th July, \$1,000, George W. Fowler; and the last cheque is the 20th September, that is upon the Sovereign Bank of Canada for \$1,000, payable to George W. Fowler? A.—Yes, that is \$45,000.

Q.—On the 9th February there is a cheque upon the Bank of Montreal to Mr. R. C. LeVesconte for \$6,250; what explanation have you had about that, if you have had any? A.—I have had none; I do not know what relation that has to the transaction at all.

Ryan's cheques to Fowler, and the cheque to LeVesconte marked as Exhibit 500.

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Q.—If you are able to tell me I would like to know whether you or the Union Trust Company or anybody else in connection with it has made any enquiry from Mr. Peter Ryan upon the subject? A.—Yes. When the matter came to my attention, or a short time after, perhaps the next time I was in Toronto, it was not a day of the regular Board meeting of the Union Trust Company, and we convened a meeting of the Executive Committee at which I laid before them the information I had. I suggested that an interview with Mr. Ryan would be desirable, and my suggestion that the matter be taken up and investigated at once was approved of, and Mr. Raymond of Mr. DuVernet's firm, who was acting for Mr. DuVernet, as solicitor in Mr. DuVernet's absence, was sent for, and the suggestion was made that he seek the co-operation of Hon. George W. Ross, a member of our Board, to introduce the matter to Mr. Ryan and endeavor to get Mr. Ryan's information upon the subject. Mr. Raymond reported an interview that himself and Mr. Ross had with Mr. Ryan in which Mr. Ryan confirmed the statements contained in this newspaper report and stated that the papers were in the hands of Mr. Shepley, and I then saw Mr. Tilley, and as I stated Mr. Tilley was kind enough to show me these cheques. The matter is in the hands of the solicitors of the Trust Company, as I say. At the next meeting of the Board of Directors the action of the Executive Committee was reported to the Board of Directors and their action in the premises was approved of, and our solicitor instructed to pursue the matter vigorously.

Q.—Have you stated now all the information that was reported to have come from Mr. Peter Ryan? A.—Well, I do not know whether I mentioned that the report was that the true consideration was \$170,000, and that there was a writing to that effect. I have not seen that writing.

Q.—That is what you have to tell us with respect to the inquiries you have made? A.—That is the substance of what has been done so far as within my knowledge.

Q.—This memorandum of agreement of the 24th October, 1903, seems to be the original option from Mr. Ryan to Mr. Fowler? A.—The original fictitious one.

Q.—No? A.—Is it not? I understand it is, that it contains not the true consideration.

Q.—Well, it is the one that was treated by you? A.—It is the one we acted upon.

Q.—You told me yesterday that was an option for \$250,000, because it included some other property? A.—Yes.

Q.—And it was upon this option you were acting when you agreed to pay the \$225,000? A.—Yes.

Q.—I do know that I need go through that in detail, but it does cover all the property that was covered in the transfer from Fowler to Mr. Foster? A.—And something in addition that was omitted, and on account of which, as we suppose, the consideration was decreased from \$250,000 to \$225,000, some of the timber limits were omitted, I think they were called the Albert Canyon limits; they may not be so designated there, but that is the way they have been discussed in our talk.

MR. FOSTER: On the report of Irwin.

WITNESS: Yes, on the report of Mr. Irwin.

MR. SHEPLEY: The actual transaction consists of four timber berths, 233, 237, 240, and 253. The \$250,000 option concerned also berths 225, 235 and 271? A.—I would not recognize them by numbers. Those that were omitted; I became somewhat familiar with those acquired.

—Copy of newspaper containing report of the testimony of Peter Ryan re Kamloops Lumber Company transaction, produced by Mr. Stevenson and filed as Exhibit 501.

—Original option dated 24th October, 1903, from Mr. Ryan to Mr. Fowler, marked as Exhibit 502.

—Mr. Shepley also files original agreement between Mr. Fowler and Mr. Foster, dated 8th February, a copy of which is already in. (Attached to Exhibit 496).

Q.—There are some agreements here, the first is agreement between Irwin, McCormack and Fowler and the Union Trust Co. of the blank day of March, 1904—do you remember anything about that? A.—I do not recall that particular paper, although it was in the line of the negotiations.

Q.—The parties of the first part are William Irwin, George McCormack and George W. Fowler, and the Union Trust Co. of the second part. "Whereas the parties of the first part

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under and pursuant to an agreement with Hon. George E. Foster, as trustee, and made on behalf of the parties of the first part, etc." (Reads to the words "Kamloops Lumber Co.")—We were speaking yesterday of a capitalization of \$500,000? A.—It was my understanding that the capital was \$500,000? Am I wrong, Mr. Foster?

MR. FOSTER: \$500,000 is right.

MR. SHEPLEY: This recital is that "the parties desire to secure incorporation with a capital stock of \$475,000. Incidentally the other recital throws a light upon those cheques, because it says the agreement provided for the advance of \$100,000 to Peter Ryan, and that first cheque was the cheque of the Union Trust Co. for the \$100,000 in advance of the incorporation of the company? A.—Yes.

Q.—"Whereas it is necessary in order to comply with the Statutes of Canada and the regulations, etc." (Reads to the words "by the parties of the first part."—you observe that is all based on \$475,000? A.—Yes.

Q.—(Continues reading.) That is intended, after summing up the situation, to substitute Irwin, McCormack and Fowler for the covenants of Fowler in the agreement with Foster? A.—Yes. I also understood from the reading of that instrument that it indicated that Fowler, McCormack and Irwin were acting together, and that it was not a purchase by Fowler, but that he was simply acting for the rest.

Q.—That is signed by Fowler in the presence of Foster, but is apparently not signed by the other parties. However, you are not familiar with the history of that? A.—No, there is an instrument among our papers which is signed by all the parties, including Irwin (Exhibit 503).

Q.—Then that is probably the instrument to which I am about to come? A.—If it is not there it can be found.

Q.—This is probably the document in which they are styled guarantors (Exhibit 504). A.—I would think that was the paper I had in mind.

Q.—This agreement made in triplicate 18th June, 1904, between George W. Fowler, of the Province of New Brunswick, William Irwin, of the town of Peterboro', in the Province of Ontario, and George McCormack, of Kamloop, in the Province of British Columbia, hereinafter called the guarantors of the first part, and the Union Trust Company, hereinafter called the company, of the second

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part. "Whereas the guarantors have purchased" (reads) "to George W. Fowler 1,250 shares, representing \$125,000. To William Irwin, 600 shares, representing \$60,000. To George McCormack, 600 shares, representing \$60,000. To the Hon. George E. Foster, 10 shares, \$1,000. To Lt.-Col. Davidson, 10 shares, representing \$1,000. To the Hon. Elliott G. Stevenson, 10 shares, representing \$1,000. To Lt.-Col. John A. McGillivray, 10 shares, representing \$1,000. To Dr. Oronhyatekha, 10 shares, representing \$1,000. To the Union Trust Company, Ltd., 2,500 shares, representing \$250,000, making in all 2,450 shares, representing \$245,000 to the guarantors and 2,250 shares representing \$255,000 to the other parties. That indicates, of course, that these gentlemen, Mr. Foster, Col. Davidson, Mr. Stevenson, Colonel McGillivray and the Doctor, holding each 10 shares, or holding as trustees— A.—They were simply holding as trustees, and these were simply shares to qualify them as directors.

Q.—"And whereas it is intended and agreed that the Union Trust Company shall advance and pay to the guarantors \$245,000, so as to enable the guarantors" (reads down to he words "said promissory note and interest"). That was the note of which you were speaking yesterday, the giving of which caused Mr. Irwin to recede? A.—Yes. He covenanted in that agreement to execute a note, but when it came to executing it he declined.

Q.—And whereas it is further intended that the Hon. George E. Foster" (reads) That is leaving ten shares in each of them for the purposes of qualification? A.—Yes.

Q.—"It is further agreed that any and all payments for dividends" (reads) And that is signed by all the parties? A.—I think Mr. Irwin's signature is to that, is it not?

Q.—Yes. Mr. Fowler, Irwin, McCormack, John I. Davidson, Director, and George E. Foster, General Manager. That would be for the Union Trust Company? A.—Yes.

Q.—Then this seems to be a copy—this is not the original—this seems to be a copy of an agreement with Irwin left out of it. This is probably the way the matter was re-arranged upon Irwin's leaving? A.—Exactly.

Q.—We need not go through the document, of course, he is not a party to it? A.—It provides exactly



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the same as the other one, except that McCormack and Fowler assume 37 per cent., instead of the three of them assuming 59 per cent.

Q.—Fowler 1,250 shares, McCormack 600 shares, etc. The document is remodelled, but follows the other with the substitution of these figures and the omission of Mr. Irwin? A.—Yes. (Exhibit 505.)

Q.—Here are some other documents, and first taking up the Shuswap, which was the first of the purchases, there is here, what is called a bill of sale of the 27th May, 1904, from the Shuswap Shingle & Lumber Company, to the Hon. George E. Foster, trustee. It recites that the party of the first part—that is the Shuswap Company—is possessed of the goods and chattels hereinafter set forth, and hath contracted and agreed with the parties of the second part for the absolute sale to him for the sum of \$40,000—that is the consideration we have seen this morning? A.—Yes.

Q.—Then comes the description of certain lands, and then the shingle mill and then certain plant, covenants for title and so on. That is signed by John Shields as President and James C. Shields as Secretary of the Shuswap Company? A.—Yes.

Q.—Then this is the option—and it is of importance—this is the option in respect of the Okanagan Lumber Company. A.—Yes.

Q.—This option is made the 23rd May, 1904, and it is between the Okanagan Lumber Company, having its chief place of business at Enderby in the County of Yale of the one part, and George W. Fowler of the town of Sussex in the County of King's barrister at law, of the other part. That seems to affix a certain relationship to the transaction on Mr. Fowler? A.—He represented, as I understood it, our company and his associates in negotiations for that property.

Q.—He was taking this property on behalf of the Kamloops Lumber Company? A.—Yes, and his associates Mr. Irwin and McCormack in the beginning.

Q.—This document proceeds as follows, "whereas the company at a legal meeting of the shareholders of the company duly called for that purpose, at which all the shareholders were present, either in person or by proxy, passed the following resolutions unanimously." That is the

Okanagan Lumber Company's resolution? A.—Yes.

Q.—Then the agreement witnesses that in consideration of the sum of \$1 paid by Mr. Fowler they give an option to the 1st July, 1904 upon 33 miles of timber limits held under provincial licenses as follows. Then comes the number of the licenses. Then the appurtenances, the mill at Enderby, the mill site and privileges and the plant is all set out. Then Fowler agrees in case he takes up the option, to pay to the company the sum of \$175,000 for all the property exclusive of the cut logs, and to pay for the cut logs at the rate of \$6 per 1,000 (reads).

Q.—All expenditure from the date of this option shall be paid by the said George W. Fowler, all logs to be delivered at the company's expense into the booms at Enderby. Then there is an agreement for a good title. Now, if one takes that document and you add to the force of the document the fact that all the purchase money was handed over to Mr. Fowler and apparently dealt with by him, are you able to speak with some confidence as to Mr. Fowler's relation to the transaction? A.—Oh, I have no hesitation in saying that we absolutely understood that Mr. Fowler was acting for us, never had a suspicion or thought of any other relations. I would say, Mr. Shepley, with reference to that last purchase, that so far as I am concerned myself—and I think my feelings were shared in by others in connection with the matter—that we rather felt we were coerced into the buying of that property by Mr. Irwin notifying us that if we did not purchase that property he would withdraw from the other and purchase it on his own account, and as we were very greatly relying on Mr. Irwin's responsibility and his experience as a practical lumberman, we really against our own inclination entered upon the purchase of that property. We had not thought in the beginning of exceeding the investment of the \$500,000 the original amount of which 49 per cent. was to be assured by those three gentlemen.

Q.—Then afterwards you were, so to speak, nipped— A.—We were.

Q.—Mr. Irwin went out? A.—That is the way I felt about it.

Q.—You loaded yourselves with property to keep Irwin? A.—Yes.

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Q.—And after that Irwin went away and took his responsibility with him? A.—Yes.

Q.—Well, now I am a little interested in finding out, if I can, what this property has cost the Union Trust Company in purchases, development and operation. A.—Yes.

Q.—I have certain accounts and I would like your assent to them, if you are able to assent to them. A.—I made a report to the Board of Directors that pretty well covers that situation. If you have that and such additional information as you can glean from the statement of accounts, I think it would pretty well cover the dealings of the Union Trust Company with that property and its history from the beginning.

Q.—I will see how far my information is accurate on that? A.—As explanatory of that, I perhaps would be permitted to say—I think I have already stated that at the beginning of the year 1905 Dr. Oronhyatekha, on departing about the first of the year, sent a communication to the Board of Directors of the Trust Company, that he desired me to especially supervise those Western interests, including the timber property, and that is the final result of the investigation that I made, and my views of what ought to be done with reference to it, and gives a history of the transaction in a general way.

Q.—This is dated 10th November, 1905, and is signed by you and is addressed to the Board of Directors of the Union Trust Company? A.—Yes.

Q.—“I have made four different trips to Western points, Winnipeg, Regina, Calgary, Enderby and Kamloops, in connection with our lumber interests in the North-West during the past summer and fall. The investigations made on those trips have convinced me that the proposition we have to deal with now is a very different one from the one the Board of Directors gave their assent to in the beginning.” (Reads.) What is that amount? A.—I think \$850,000 is the amount.

Q.—The result of your inquiries would seem to indicate that out of the original three Irwin was the only one of substance really? A.—Well, that would hardly be fair. Mr. McCormack is a man of substance in a property way, but the property was of the same class as this, so that I regarded it if this venture failed his

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interest in other like ventures would also fail, and that therefore though in his then present situation, a man of very considerable responsibility, that it was of the same class of property as this.

Q.—“It is quite probable also that this amount will have to be increased within the next year by \$100,000” (read down to the words “manufacturing business.”) I do not quite understand that sentence. “My investigations have satisfied me that the large profits that are expected of a lumber business do not accrue from the lumber business, but are due to stumpage” (reads). Just explain that a little more if you please about the enhancement of the stumpage being a source of profit, and the manufacturing being merely a means of carrying it on? A.—We have approximately, or had, before we arranged to sell it, a billion feet of standing timber. Per thousand feet of standing timber that would represent a very small sum, say 50 cents a thousand stumpage. The experience of Ontario, Michigan and every lumbering country indicates that that price, in view of the comparatively small quantity of timber remaining, is going to enhance rapidly. People who purchased standing timber in Ontario, Michigan or Minnesota, 30 years ago, perhaps at \$1 an acre, the Government price—\$1.25 in our country, Government price are realizing to-day \$10 and \$15 per 1,000 stumpage, and my idea was from investigations I made that the real substantial profit, the great profit that is to be made in that sort of business is to wait the enhancement of the whole of the value of the stumpage, and that the only justification, as I say, if it can be justified at all, for operating a saw-mill, is to provide a smaller profit in the interim, to carry the investment—to carry the interest upon the investment.

MR. KENT: Q.—That is, there is more profit in letting the timber grow than in cutting it? A.—That is it, exactly.

MR. SHEPLEY: Q.—The report proceeds “No doubt if the general expectation” (reads down to the words “on Celeste Creek”). That is still another source of supply? A.—That is the Provincial limits that were purchased with the Shingle Mill property to supply the mill, so that we would not have to use up the timber on the Dominion limits.

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Q.—Yes, you said that yesterday. "Our reports, which I believe are reliable, show that we own" (reads down to the words "elsewhere in the dry belt"). Your management there had been purchasing logs for cutting in that locality? A.—Yes, in the dry belt the timber seemed shaky, and you get shaky timber and you get a great deal of cull.

Q.—"The limits purchased with the Enderby Mill" (reads from report, Exhibit 508). Your idea then was to get out of the investment, retaining, if you retained anything, the Dominion limits, and retaining those only? A.—And not retaining those unless we could find a sale for them without loss.

Q.—There is a subject matter mentioned in this report which I want to deal with, and I may as well have it at this stage. You speak there of the selling price? A.—Yes.

Q.—Just explain what that was and how that came about? A.—As indicated in that report, we had some drawbacks in getting started. About one of the first things was the Kamloops Mill was destroyed by fire. When we got fairly over that and a new mill erected, the market was very much depressed. There had been an over-production in the British Columbia district, and that situation was accentuated by the depression on the American side, that resulted in a large quantity of lumber coming in from Minnesota and the Winnipeg district, which was accessible by rail. The net result was that the market was much depressed, and there was little sale for timber. We had a large investment on our hand and had to get out of it in some way, and therefore we concluded upon full investigation, that the most practical way to deal with it was to organize a selling company through retail yards. The idea of a second company was simply this; we were carrying the whole load in the Kamloops Company while, if profits were made, Messrs. McCormack and Fowler would share in them to the extent of 37 per cent. I did not consider they were contributing anything in the way of financial responsibility or otherwise, except McCormack who was a practical lumberman, and as it involved a further investment I felt that as to the further investment we should have the entire profit, and therefore the suggestion of a selling company, in which we who had furnished the capital, would reap any profit which might result from it.

Q.—How was it worked out? A.—By the organization of a company known as the Independent Lumber Company, which has been practically under my personal direction.

Q.—Just speak of the capitalization of that? A.—\$250,000, and that has substantially been paid up.

Q.—And the ownership of the stock? A.—Entirely in the Union Trust Company, except \$25,000, which was subscribed for by Mr. James C. Shields, who had been the manager of the operations of that company, and who as security for the \$25,000 turned back the stock and also assigned his timber limit in the Yale district, which is worth \$150,000.

Q.—Let us sum it up by taking the figures, and if you can assent to them approximately, I do not think they differ substantially from the results you have indicated. We have first the payment for the Kamloops property, the Ryan proposition, principal and interest, \$226,127.71; then proceeds of the fire policies \$20,000; the loss uncovered by insurance is said to have been \$16,975; so that if that is written off as bad, and you apply the insurance money, you reduce your investment to \$189,151; then it has cost you in operation to the 30th June, 1906, approximately \$156,000? A.—I have no doubt those figures are correct, although I cannot carry them in my mind, I have in mind that the whole investment is somewhere a little over \$1,000,000.

Q.—Then we have seen that the Shuswap cost \$40,000. We have seen that the Enderby property cost \$179,882. Then the operating expenses at Enderby have been \$146,000, plus \$61,000 making a total of \$773,885.77? A.—I have no doubt that is accurate.

Q.—Then the Independent Lumber Company—as to that we have a balance sheet? A.—I think \$240,000 paid in.

Q.—\$240,000 plus \$10,000, making \$250,000? A.—That is since the 1st July.

Q.—Yes, that has been paid since the 1st July? A.—Yes.

Q.—Then it is said that the General Manager—who is the General Manager? A.—Mr. Shields.

Q.—Gets 50 per cent. of the profits in addition to a salary of \$2,400? A.—Oh no.

Q.—That is not right? A.—Oh no. He gets a salary of \$200 a month, and whatever his share of the stock earns. He has \$25,000 stock.



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Q.—Whatever that earns he gets?  
A.—Yes.

Q.—Apparently your profit for 11 months—perhaps he has overdrawn, because he seems to have drawn \$2,903 instead of \$2,400. Your profit seems to have been \$51,000? A.—Something more than that.

Q.—The liabilities \$79,000? A.—Those are the liabilities to the Kamloops Company from whom we buy the lumber.

Q.—The assets are real property \$35,000, furniture and fixture \$1,500, live stock \$1,200, merchandise \$194,000? A.—That is the lumber.

Q.—Accounts receivable \$109,000; bills receivable \$25,000, James C. Shields \$3,000. What is that? A.—Mr. Shields has an undivided interest in a small portion of the timber limits, a very small fraction, and to acquire the remaining portion it required \$3,000, and with the understanding that that, when acquired, was to be transferred as an additional security for his obligation, he was allowed to draw \$3,000.

Q.—That then is put as an asset?  
A.—Yes.

Q.—The audited accounts had not yet been received? That is a trifling matter in an investigation of this sort, but that would seem to leave a difference. The accounts do not quite balance by about \$700? A.—That is quite possible, but we turned over to Mr. Cross the audit made by Mr. Neff since this investigation commenced, and the net result of the operations of the Independent Lumber Company was, that after charging \$2,800 of interest—in anticipation that there might be some loss in the accounts—there was a net profit of \$59,000 for 11 months.

Q.—That has had the effect of turning into the proper channel the profits that are made upon— A.—That was the thought in that connection entirely. I ought to say in explanation that my figures as to what would be realized for the lumber were very much understated. There has been a shortage this last winter of logs, and the price I named of \$11.50 for lumber at the mill is under by \$3.50 a 1,000. It is selling and they cannot get the lumber out fast enough—at \$15, but as an offset to that, on account of the remarkable demand for labor in connection with railroad building in that country, and the demand for labor at San Francisco labor has gone up very materially, and the cost of production has increased by about \$1 a 1,000.

Q.—The net result is in excess of your anticipation? A.—Yes, to the amount of \$2 to \$2.50 a 1,000.

Q.—During all this time, of course, with the exception of the profits realized on the operations of the Independent Lumber Company, the Union Trust Company has been putting up money? A.—All the time.

Q.—And getting none? A.—That is the situation. It has been a steady increase from the beginning. It was supposed \$500,000 was going to be the maximum, and it has grown to \$1,000,000, but fortunately it is ended now.

Q.—We have already got you on record in your report as to the advisability of that class of investment with funds such as your company is entrusted with? A.—Yes, I have no hesitation in saying that my real sentiments are expressed in the report. I do not think it is a proper sort of investment for trust funds to be invested in, and we reached that conclusion nearly a year ago, quite a year ago I guess, and we have been working diligently to the end of unloading it without loss, and I am very glad to be able to say that we have succeeded.

Q.—The sale that you are making will be satisfactory and will bring you out of all the— A.—The sale that we are making will return to us every dollar of the investment with interest upon it to date, and \$75,000 of profit. If you care for it, I have Mr. Neff's figures, showing that that result will be reached.

Q.—That I should like to see? A.—Mr. Neff has been out there for a month. I asked him to make a statement of how much we must realize for the timber and mills, taking into account accounts receivable, logs and lumber and so on.

MR. KENT: Q.—What would be the effect of a forest fire on those limits? A.—The danger from forest fire is very slight. To begin with the Government regulations protect the limit. Then they are in a section of country where there are no improvements, and there is nothing that fire can result from, unless it be the careless trapper or hunter. Then during dry periods of the year extraordinary precautions are taken to guard against any such contingency, and the very fact that the timber has been there perhaps hundreds of years untouched by fire is the best answer to the suggestion that there is any danger of that sort. Of course as

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settlement comes in then there will be increased danger from that source, but as this is in the mountain district where there is nothing to attract settlers, there is practically no danger from that source.

MR. SHEPLEY: Q.—I suppose not only settlement but railways bring danger with them? A.—It would be a very difficult thing for a railway to get into that section. Fortunately the streams are large and the facilities on that account for delivering lumber to points on the railway are excellent, but if you had to depend on railways it would be an impossible situation to deliver timber on account of the mountainous character of the country. In explanation of that, \$650,000 is the price we are selling the mills and timber limit for.

Q.—\$600,000? A.—\$650,000. As you will observe there, Mr. Neff's figures, the accounts receivable and the lumber and logs on hand added to the \$650,000 will leave a surplus of a considerable amount. In addition to that we have an offer of \$10,000 for the Annis mill and mill site, and Mr. Neff has wired me that he found an error at Kamloops in our favor of \$7,000 in the amount of logs on hand, and the logs were appraised at \$12. So that it is safe to say we are out of the transaction with a profit of \$75,000 and it is fair to say we will never be in another one. We have 25 per cent. of the cash and the balance was secured by good people, the Robert Watson Company of Minneapolis and another lumber company who have made their wealth in the lumber business, who have cruised every foot of the property, and have more than verified the estimate we have had of the quantity and quality of the timber.

MR. KENT: You have been at the brink and looked over and did not fall? A.—I think perhaps we did a little more than a look over, I think if we had not had a very firm hold we would have gone over. I do not mean by that that there would have been a loss, because if the mills had been shut down, the timber itself would have paid, the standing timber by itself would have removed any loss, but the vice of the thing, in my judgment, is the operation and the conduct of the business with trust funds, which in my judgment cannot be justified.

MR. SHEPLEY: We will just have these figures put upon the record. Mr. Neff's figures are: Capi-

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tal stock, \$500,000; advances, \$288,885.77, making a total at stake of \$788,885.77. Then he values the liquid assets as he calls them, over and above all liabilities at \$196,790.31. That you say may be increased—that you say may be considered to be increased by \$7,000 error in respect of the logs, and by the advance in the selling price of the lumber? A.—Yes, and the Annis property.

Q.—Which you say \$10,000 has been offered for? A.—Yes.

Q.—Then you have sold the limits for 650,000? A.—The limits and the Enderby and Kamloops Mills.

Q.—And that figure appears in that statement, \$650,000 plus \$196,790.31, making \$846,790.31, which you have realized or may expect to realize? A.—Yes.

Q.—Leaving you to the good \$57,904.54? A.—That is exclusive of the Annis Mill and the other items we have referred to. If you will pardon the suggestion, I hope there will be \$55,000 more to add to that.

Q.—Yes, I understand what you mean.

MR. KENT: That is not secured yet? A.—No, not yet, but there is an earnest effort to secure it.

MR. SHEPLEY: Q.—Now, a matter about which I want to make some inquiry is the recent transaction by which you parted with some of the stock in the Union Trust Company. We have already had it in evidence—and that is borne out by the minutes of the Foresters, that on a particular occasion and in respect of a particular matter, it has been desirable to part with a controlling interest in the Trust Company? A.—That is correct.

Q.—I wish you would give us from your own standpoint, the circumstances leading up to that and making that desirable from the standpoint of the Foresters? A.—The responsibility for one thing had become greater than I felt, personally, that we could afford to assume. It was all of our money substantially, and any risk was assumed in our interest. It therefore seemed to me, in view of what had transpired, and results that had been reached, that it was not a desirable sort of investment to continue with; as the controlling factors in directing it, perhaps we had been unsuccessful, I state fairly, in our method. In addi-

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tion to that the question of subsidiary companies had become quite acute. The discussion growing out of the investigation in New York had set a great many people thinking about these things that had not thought very seriously about them, and I think among those I might be included myself, although I do not wish to avoid any responsibility in connection with it, but I think, perhaps, we thought more seriously about those things on account of the development there than we had before. Then largely growing out of that, the Commissioner of Insurance in New Hampshire had pointed that out as a very serious objection from his standpoint to giving us authority to do business in his State, there were rumors afloat that affected the question of whether we were profiting upon the side, and everything taken together satisfied me we ought not to be in that position, and for myself I would not be, and therefore after discussing the matter fully we decided that we would either sell out the entire interest or sell out a controlling interest.

Q.—And you and the Doctor were appointed a committee to formulate a plan by which that might be arranged? A.—Yes.

Q.—Then will you say how you opened the negotiations and just give us the history? A.—It was done through Mr. Wilson. Mr. Wilson first went to Mr. E. R. Wood, I subsequently learned and he reported that negotiations were well under way with Mr. E. R. Wood for the sale of \$1,500,000 of our stock.

MR. HUNTER: 1,500 shares.

WITNESS: 1,500 shares was it?

MR. HUNTER: Yes.

WITNESS: To make sure about the matter I asked Mr. Hunter to communicate with Mr. Wood, and to say whether his name was being used with his authority and Mr. Hunter reported that Mr. Wood said it was. At a later date we were informed that Mr. Wood was ill, and had to absent himself from the city on account of his health, and therefore had to drop the matter, and the next thing I heard about it was that Mr. DuVernet had made a proposal to take over this stock, pay \$500,000 in cash on account of it, and leave the stock as security for the balance. That proposition was accepted. Mr. DuVernet tendered us a deposit receipt for \$500,000, payable to his or-

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der, issued by the Crown Bank, which he endorsed over to the Supreme Court of the Independent Order of Foresters. I exchanged that deposit receipt with the Crown Bank for 10 certificates at \$50,000 each, thinking we might want to use a smaller amount than \$500,000, and made an arrangement by which we were to have 3 per cent. upon the certificate from date, and 4 per cent. if we left them 6 months, and those certificates on deposit we still hold. Mr. O'Grady asked me a short time ago if I would not take all or a part of the money, I did not feel that we could afford to lose the \$2,500. If we surrendered the certificate before the 6 months was up we would have to take 3 per cent., and if we could take the money to our own bank we would only get 3, and that difference between 3 and 4 per cent. on the money is \$2,500. I therefore did not act upon Mr. O'Grady's suggestion and we hold the certificates still in that form.

Q.—You say that the transaction was managed by Mr. Wilson? A.—Yes.

Q.—In what capacity was he managing the transaction? For the Foresters? A.—For the Foresters.

Q.—He was acting for them? A.—Yes. Mr. Wilson said he thought he knew a gentleman he could approach. I am a comparative stranger of course, in Toronto, and the doctor was not in a condition of health to take the matter up, and Mr. McGillivray was ill, and so the matter was left with Mr. Wilson to negotiate, with the result I have stated. I should like to say I think there has been a misapprehension, if I understood what the newspaper reports said, of a statement made by Mr. DuVernet that he had tendered the payment and that I had refused it. I did not understand it that way. Mr. DuVernet upon his return from England came to me and said he had made arrangements to take up the balance of that stock and wanted to close the matter up.

Q.—To take up the balance of the stock? A.—To pay the balance of the purchase money. We will hold all the stock, except \$25,000, as security for the unpaid portion of the purchase price. Upon his return from England he said he had completed his financial arrangements for paying the balance of that stock. I told



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him it would be an accommodation to us if the matter could remain in its present position until after the first of the year. The reason for that was simply this, we had the other \$500,000 that we had no place to put just now. Our attention has been distracted from the regular routine somewhat, and we did form in our minds a plan for a new departure in that respect and we wanted to utilize this money for that purpose. In other words we had decided to put at least 25 per cent. of our accumulated funds, or two and a half million in high class bonds and debentures and we did not want this money to get—

Q.—Dissipated? A.—Dissipated in some other sort of investment up to that time, and as I felt that we could not well enter upon that matter before the first of the year, that it would be an accommodation from our standpoint if Mr. DuVernet would defer closing that matter up until about the first of the year. I did not understand there was a formal tender. I understood Mr. DuVernet's position to be that he was quite willing to acquiesce in that.

Q.—That does not in any material particular differ from what Mr. DuVernet has said? A.—The impression I got from the newspaper report was that there had been a tender and I had refused it.

Q.—I think Mr. DuVernet said "We have offered the money and they won't take it?" A.—That was the situation any way and the interview I had with Mr. DuVernet on the subject.

Q.—Are you aware of how the transaction was financed? A.—No, I know nothing about that.

Q.—You do not know anything about that? A.—Not a thing.

Q.—You have not made any inquiries? A.—No. I do not know anything about that, simply Mr. DuVernet said he had English connections that enabled him to complete the transaction, and from other things that I know he has accomplished. I feel certain that he has. He has made arrangements with reference to the Trust Company that demonstrate his ability to carry out that part of the undertaking.

Q.—Then I gather from all this that the intention is not to hold in the hands that have taken it the whole of this large stock, this large holding, but to distribute it among the public to a great extent? A.—My understanding is that a considerable portion of it is to be placed in England,

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and the balance of it is to be distributed in Canada among people whom it is thought will help the institution.

Q.—It is not intended to hold a great controlling interest? A.—No.

Q.—Then before leaving that, what would you say as to the large holding the Foresters will still have as against a large distribution of the controlling interest? A.—If they will continue the Trust Company upon the lines that we have agreed upon, to absolutely forego any of the things that have brought us trouble up to this time, I shall be quite content to have the investment in that way, for so far as matters have proceeded from Mr. McGee's course, Mr. Gurneys' course, Mr. DuVernet's course, and Mr. O'Grady's course, I have been quite satisfied with their course in that respect. If there was any departure from the lines I supposed we were going to strike out originally with, of absolute conservatism in reference to investments of the capital stock of the Union Trust Company, of course I would not want any stock in it.

Q.—We started with, or we have had at various stages of this inquiry—I do not mean in connection only with the Foresters—we have had illustrations of the evil of concentrating control, and from that point it might perhaps have been considered upon the theory that was advanced, it might have been considered undesirable that an executive like the executive of the Foresters should have control of the Trust Company? A.—I quite recognize that and it is in deference to that sentiment that we have made the arrangement we have made.

Q.—But I am asking you, suppose you still retained the million dollars of stock, and supposing the rest of the stock is so distributed as not to be concentrated in one hand, you probably will still have the control? A.—Well, it might possibly result in that. I cannot say there is no such purpose as that in mind, but I can say in the most frank and truthful way that we have no desire to control any financial institutions, and we shall be very glad if you gentlemen can work out some plan by which we can be relieved from making any investments. We shall be glad to turn over all our investments if you are pleased, and be relieved of the responsibility. It is the most troublesome feature of all our business.

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Q.—I do not mean to say with regard to any particular company, but perhaps with regard to some companies, if pains are not taken perhaps there will not be anything to invest, and that will meet that difficulty? A.—I am very glad to be able to say that when this year closes the Union Trust Company will have assets that will be absolutely gilt-edged for every dollar of its capital and surplus and pay a dividend of 6 per cent., and add upwards of \$100,000 to its surplus.

Q.—You do not know the ultimate destination of the \$1,500,000? A.—No, only to the extent I have stated, and if you will permit me—I am perhaps seeming to hurry, but I am anxious to get away to-night—the suggestion was made that the clause in this contract providing we should vote that stock—that there was some special purpose in that. I was responsible for that, and I would like to explain why, if it is proper. It was simply my own insistence. I did not think it would be proper from my standpoint, upon receipt of \$500,000 to turn over the control of that company. There was no special purpose whatever in it. We simply wanted to control the stock until we got our money, and any time we can get our money, as we expect to about the first of the year, we shall be very glad to relinquish control of the stock and voting power and everything else.

Q.—Is there any significance in the circumstance that the purchase money is not payable for such a long term of years? A.—Not the slightest. I have no hesitation in saying I would be perfectly willing to have it remain in that way because of the large amount it represents as a settled investment, and I regard the security, from a very intimate knowledge of its contents, as absolutely good.

Q.—If the trust company takes care of itself in the future A.—If the Trust Company will carry out the policy they have already undertaken to carry out, and I think if you will examine the changes made in the by-laws and things of that sort you will find every measure of precaution that it is possible to take, has been taken, upon the suggestion of the gentlemen who have invested their money.

Q.—Just one other matter and then I think we can leave that subject. Who was Mr. Wilson's paymaster? A.—I suppose we should pay Mr. Wilson anything that he is entitled to.

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We have not paid him anything. We have had no bill. I shall have no hesitation in undertaking to pay him a reasonable compensation as to the services he rendered in that regard.

Q.—Have you heard of his being otherwise compensated? A.—I have heard, but I know nothing about it. I can only say in reference to that, as I have said in reference to other things, that if the statement is true it will have to be undone. There cannot be anybody get any pay in connection with a matter, or any profit in any way that represented us, and if Mr. Wilson has profited by it in any way it will have to be given up. I am not able to say that that is so, but I have heard a rumor to that effect. I never heard of it until recently. I can say that. A very short time ago there never was any suggestion or thought of his being in a position to take anything so far as my understanding was concerned except as proper compensation from us for the services he should render for us.

Q.—Then I may say that you are at liberty, and I mean that you are at liberty for the present, and I trust that I shall not have to trouble you again, but I cannot give you any assurance that you will not be required in the future? A.—I have engagements like yourself but I shall respond at any time I am wanted, however, I hope I shall not be required.

MR. HELLMUTH: I have no questions to ask

(The Commission then adjourned till 2 p.m.)

#### AFTERNOON SESSION.

Resumed at 2 p.m., September 26th, 1906.

MR. SHEPLEY: Before calling the witness I have to make a statement which should be made of course at the earliest possible moment. Partly by reason of the circumstances that I spoke of yesterday morning, that is the witnesses not regarding subpoenas, and partly—and I am not attributing blame to anybody, there is no use doing that—partly because of the large mass of material which has been put in my hands as the result of the ruling of yesterday,

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or following upon the ruling of yesterday, I do not think I shall be able after to-day for a short reasonable time to go further with this particular Inquiry, though we shall be ready with other work for the Commission. All those who are interested in this Inquiry are entitled to hear that said at the earliest possible moment, and of course it is very desirable we should consult the convenience of everybody as far as we can in arranging for the future. My suggestion is I shall try to be ready by a liberal use of the wires and otherwise, by Monday morning to go on with this. There cannot be very much more of it, I think, if the witnesses are here; that is the stumbling block. Then by that time I shall have the papers digested so that I can present them in abbreviated form, and I trust then we shall be able to conclude the Inquiry very shortly. I do not suggest a longer enlargement, because while it would be perhaps more convenient in some respects yet it is not fair to those whose names have been mentioned that they should be delayed in the opportunity of making a statement upon the various matters that have been raised. That is my statement and my suggestion to the Board. I ask my learned friends who are concerned in the case for suggestions.

**JUDGE MacTAVISH:** Will any interest be prejudiced by adopting the course suggested by Mr. Shepley? We appreciate the importance of having an Inquiry of this kind, once it is opened, concluded as soon as possible so that every person may have a chance to be heard at the earliest possible moment. There are some statements made which are no doubt capable of explanation, and it is very desirable that the explanation should follow as soon as possible after the statement is made.

**MR. NESBITT:** That is particularly desirable, and is so felt by Commissions in England. Different things get abroad in the press and people do not see them for three or four days, particularly when it is a mere rumor, and I must say one cannot help but be struck by the way my learned friend has endeavored not to allow witnesses to speak of rumors. One or two witnesses have volunteered rumors, but never that I have noticed from suggestions of Mr. Shepley.

**MR. HELLMUTH:** Do you propose to go on with anything in the meanwhile?

**MR. SHEPLEY:** Yes. What I have suggested, seems, as far as I can see, to make as little inconvenience as may be. Of course we cannot avoid making some.

**ROBERT C. LEVESCONTE,** sworn, examined by:

**MR. SHEPLEY:** Q.—You are a practising solicitor in the City of Toronto? A.—Yes sir.

Q.—Do you know Mr. George W. Fowler? A.—I do.

Q.—Had you something to do with a transaction between him and Mr. Peter Ryan? A.—Yes.

Q.—That was when? A.—It was about the fall of 1903, and in the early winter I think of 1904.

Q.—How did you find yourself introduced into the transaction, at whose instance? A.—I don't know hardly how I got introduced into it.

Q.—Who spoke to you about it, or did you speak to somebody else, how did the treaty which resulted in the meeting come about? A.—I do not know; I got to know some way Mr. Ryan had some limits for sale in British Columbia and I was looking around to see whether I could get someone—

Q.—Repeat that? A.—I found out in some way that Mr. Ryan had limits in British Columbia for sale and I looked around to see whether I could find a purchaser, some way or another I came across Mr. Fowler.

Q.—Did you know Mr. Fowler before? A.—No, I do not think so, not before, perhaps two or three weeks before the option agreement was given.

Q.—Who introduced you to Mr. Fowler? A.—I cannot say exactly, I fancy it was Mr. McCormack.

Q.—Had you known Mr. McCormack before? A.—Yes, I had known him for several years.

Q.—Who was Mr. McCormack? A.—He was a lumberman, used to be.

Q.—What else? A.—McCormack & McLeod.

Q.—You had known him for some years? A.—Yes.

Q.—Had you had business relations with him? A.—I had done some little private business for him and some for his firm.

Q.—Were McCormack and Fowler both in town when you were introduced by Mr. McCormack to Fowler?



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A.—Yes, the introduction was in Toronto.

Q.—How did it come about and where was it? A.—I do not recollect the introduction, but I think it was at the King Edward Hotel.

Q.—Go on and tell me please how it came that you were introduced, how did it come about, it was not accidental or fortuitous, was it? A.—I think it was. My first meeting with Mr. Fowler I think it was purely accidental, at least there was nothing in it that impressed itself upon my mind.

Q.—Were you and McCormack together and did Fowler come to you or were McCormack and Fowler together and you went to them? A.—No, my recollection is that Mr. McCormack and I were sitting in the rotunda talking when Mr. Fowler came along and spoke to Mr. McCormack, and he introduced me, and we sat there chatting for a while.

Q.—Was there anything in that interview about those limits? A.—I do not think so.

Q.—Can you be sure about it? A.—I do not think there was anything in that interview about the limits. I think it was a purely friendly conversation.

Q.—Did that conversation take place before you were interesting yourself in finding a purchaser for Mr. Ryan's limits? A.—No, I had been looking around for some time before that.

Q.—You do not think at that time it occurred to you to try and sell these limits to Mr. Fowler, had you been trying to sell them to Mr. McCormack? A.—Yes, I had mentioned the matter to Mr. McCormack.

Q.—With what result? A.—No result.

Q.—He had no idea of buying? A.—Well, he thought the limits were good provided they could be got at a good price, but he was not a purchaser himself.

Q.—Had you authority from Mr. Ryan to offer the limits to anybody? A.—Verbal authority.

Q.—And had you a price? A.—Well, not a definite price, but I knew—

Q.—What was mentioned between you and Mr. Ryan when he gave you verbal authority to sell his limits? A.—I think his first price was—when he first came to me I do not think he really intended to sell at what he mentioned then, but later on when I saw him and I thought I might perhaps get a purchaser I think he told

me he would sell at \$250,000, and I tried to get Mr. McCormack interested in that, and I was not successful.

Q.—You tried to interest Mr. McCormack and were not successful? A.—No.

Q.—Are you clear about that time, that at that time you were in possession of authority from Mr. Ryan to offer the limits for \$250,000? A.—I do not know that you can say it was exactly authority, he told me he wanted to sell and he would be glad if I would get him a purchaser.

Q.—I would call that authority; and he told you the price he would accept? A.—Yes.

Q.—And that price was \$250,000? A.—Yes.

Q.—That included certain limits which were not included in the subsequent transaction? A.—Yes, that included what were known as the Albert Canyon limits which were not included in the final deal.

Q.—That was your first meeting with Fowler and nothing was said about the limits? A.—I do not think so, I do not say positively there was or was not.

Q.—Were you talking business on that occasion at all, or was it just a social occasion? A.—I think it was purely social, although it is quite possible that limits might have been mentioned, because I was frequently talking to Mr. McCormack about limits, but I have no distinct recollection at all as to whether limits were mentioned on that occasion or not.

Q.—What was the next stage in the negotiations? A.—I think it was shortly after that that it was suggested to me if I could get the price down that possibly a purchaser could be got.

Q.—Who suggested that to you? A.—I do not remember whether it was Mr. McCormack or Mr. Fowler.

Q.—Were McCormack and Fowler associating themselves at that time or talking of associating themselves together in the purchase of the limits? A.—No, I did not so understand it; I thought from conversation that Mr. Fowler was hoping someone down east, I think it was down in Maine or some place there—

Q.—And if the suggestion was made to you, and you were not associating these two people in your mind at all as being together, one would think you would remember who it was suggested it to you? A.—No; the mat-

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ter had not assumed any business shape, it was just in a sort of casual way it was mentioned.

Q.—I want to get at who mentioned it—you had two prospective purchasers? A.—No.

Q.—McCormack and Fowler? A.—No, McCormack was out of it.

Q.—Why is it you say you do not know whether it was McCormack or Fowler? A.—I assume if it was McCormack that spoke to me about trying to get it at a lower price than I take it for granted he was acting for Fowler.

Q.—That that was a proposition made in the interests of Fowler? A.—He said Mr. Fowler had spoken to him about someone I understood to be down in the State of Maine, wanting some limits up West.

Q.—Was any price mentioned? A.—It was suggested to me that \$250,000 was too high, and that if I could get it down to about \$200,000 there might be some object in getting an option.

Q.—What did you do? A.—I went to work to see whether I could get Mr. Ryan down. I was not successful at first, but afterwards I got him down to I think the option was at \$200,000.

Q.—Did you draw an option? A.—Yes.

Q.—Then that is not any of the options that have so far been produced? A.—I could not say, I do not know what options have been produced.

Q.—There is one at \$250,000 which includes the Albert Canyon limits, and the other one at \$225,000 which does not include the Albert Canyon limits, you think there was one for \$200,000? A.—I think so.

Q.—Is not your memory clear about it? A.—I am satisfied there was one for \$200,000.

Q.—Was that a dummy or a real option? A.—The real option; any options given were drawn in my office and my endorsement would be on them so that I could easily identify them.

Q.—Are they in your office still? A.—No: I gave one to Mr. Ryan and one to Mr. Fowler.

Q.—It was in duplicate then? A.—Yes.

Q.—An option for \$200,000 drawn in your office in duplicate, one part of which Mr. Ryan received and one part of which Mr. Fowler received? A.—It is possible Mr. Ryan returned

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his to me afterwards to keep it for him, I think perhaps he did.

Q.—Have you looked for it? A.—I have looked through some papers and I have not made a very careful search of these to see what there is; there is a bunch of them here. (Witness looks through bundle of papers). Yes, there is one.

Q.—This includes the Albert Canyon limits, does it not? A.—From memory I could not say.

Q.—Could you say if you looked at it? A.—No, I cannot identify them; I see they are described here by numbers and I could not identify them.

Q.—Those four, 233, 237, 240 and 253 are the limits that were included in the option which was carried out, which did not include the Albert Canyon limits, so I take it these others would include the Albert Canyon limits, you do not know? A.—No, I do not know, I just had them given to me by numbers.

Q.—At all events this is an option which you drew and which is signed by Mr. Ryan and Mr. Fowler in your presence, you being a witness? A.—Yes.

JUDGE MacTAVISH: Do I understand you to say this was the same property that Mr. Ryan started by asking \$250,000 for? A.—Yes sir.

MR. SHEPLEY: This including the Albert Canyon limits was at \$200,000, had there been an earlier option at \$250,000, including those? A.—I do not remember there being one, although I would not say there was not.

Q.—Did you draw this document (Exhibit 502)? A.—That is not written in my office.

Q.—I am not concerned about that, did you draw the document, did you make the draft of that? A.—It is a little like my composition.

Q.—It is the same as this excepting the figures is it not (meaning the same as the document produced by Mr. LeVesconte, which is now marked as Exhibit 509). A.—I do not know, if it is, it looks about the same.

Q.—I wish you would satisfy yourself as to that; look and see if there is any difference between those two except the figure—you are comparing Exhibit 502 with Exhibit 509? A.—Here is one that does not seem to be in.

Q.—What is the berth number? A.—233. there is a difference there.

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Q.—This purports to contain the whole of berth 233 and this divides the berth 233 into one and two? A.—Yes, there are 28 acres added there, apparently.

Q.—Otherwise the documents are the same? A.—28 is inserted here (in Exhibit 502). And there is \$250,000 here and \$200,000 there.

Q.—Is there any difference between the price of the logs? A.—That is the same.

Q.—With the exception of the difference you have pointed out in the description and with the exception of the price, one being \$200,000 and the other \$250,000 these two are the same, Exhibit 502 and 509? A.—Yes.

Q.—Have you any doubt that you drew both documents? A.—No, I fancy they are both written in my office.

Q.—What was the object of there being two? A.—I do not know.

Q.—You do not draw documents without knowing what your instructions are? A.—I got no instructions except to draw—

Q.—One option for \$200,000 and another for \$250,000 both on the same day, both covering the same property, both between the same people? A.—That is all I know about it.

Q.—What is all you know about it? A.—That they are drawn, you say Why were they drawn? and I say I do not know anything about it.

Q.—What were your instructions? A.—My instructions were to draw the documents with the consideration.

Q.—With which consideration? A.—First \$200,000 and secondly with \$250,000.

Q.—Who told you to do that? A.—I think both Mr. Fowler and Mr. Ryan, I think they were both present.

Q.—Told you to draw two options, one for \$200,000 and the other for \$250,000? A.—I think they were both present.

Q.—What did you suppose was the purpose of having two? A.—I did not suppose anything, I did not concern myself about it at all.

Q.—Do you tell the Commission that you did not suppose anything? A.—That is what I say, I did not concern myself.

Q.—You say you did not suppose anything, did you suppose the option was to be passed on, and that one

was the real option between these gentlemen, and the other the one that was to be passed on? A.—Doubtless that may have occurred to me.

Q.—Won't you be so good as to tell me all that passed between you and Fowler and Ryan upon the subject of this conveyancing? A.—It would be a pretty long story to tell you all of it, there was a great deal of dickering before the amount was arrived at.

Q.—Go on, I do not care if it is a long story, I want to hear it? A.—There was dickering back and forth, trying to arrive at the amount, and when the amount was arrived at I was instructed to draw the agreement and I drew it, and Mr. Fowler came in—

Q.—The amount that was arrived at was \$200,000? A.—Yes.

Q.—You were told to take your pen and sit down quickly and write \$250,000? A.—No, I was not.

Q.—How did you come to do it? A.—They went away and came back to me afterwards and said to make the consideration \$250,000.

Q.—You did not take the old agreement and alter it? A.—No, I think I had it re-written.

Q.—Dated the same day? A.—Yes.

Q.—Intended to cover the same property, you had no doubt about that, had you? A.—There is apparently—

Q.—Have you any doubt it was intended to cover the same property? A.—It covers the same property with apparently the addition of that—

Q.—Have you any doubt it was intended to cover the same property that the other one covered, in other words I want to make it plain to you, you do not profess that the change of \$50,000 was because there was any change of the property? A.—I do not pretend anything about it.

Q.—You do not suggest that? A.—No.

Q.—Did you suppose that these gentlemen had come back to you to make a new bargain leaving out a piece of the property and raising the price \$50,000, did you suppose that was what was being done? A.—No, I did not consider anything about whether that was it or not; I did not discuss that with them at all.

Q.—You say they came back a second time? A.—Yes.

Q.—Are you sure of that, or were not your instructions given on the same day and the same time, and were



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not the documents prepared at the same time? A.—No, I think we separated and one document was prepared prior.

Q.—Which was prepared first? A.—The \$200,000.

Q.—How long afterwards was it they came back? A.—The same evening I think it was.

Q.—They both came back, where was that? A.—In my office.

Q.—Was it at night? A.—It was along about six o'clock, or a little after; it was late in the afternoon or evening.

Q.—Both these gentlemen came back and said what, who spoke? A.—I do not know who spoke.

Q.—Who gave you the instructions? A.—I think they were both together and I do not know who did these, I expect they both did the talking, judging from the conversations that took place all the time, they were both talking all the time.

Q.—Is Mr. Fowler as talkative as Mr. Ryan? A.—I do not know that, both of them are particularly talkers, but there was a great deal of talk over the conversation.

Q.—Do you tell this Commission, that you, a practising solicitor of long standing now? A.—Yes, some time.

Q.—Don't remember the instructions given you beyond that you were told to prepare a document with \$250,000 in it instead of \$200,000? A.—That was all the instruction that was given to me and I asked no questions at all.

Q.—You have told me it passed through your mind that the purpose of it might have been to pass on the larger option upon some other person? A.—I do not say it did, I say it is quite likely that it occurred to me that there was a deal on.

Q.—Do you say to me that in view of that you would not make any inquiry as to the effect of what you were being asked to do? A.—No, I certainly would not; I did not consider it was any of my business. I was simply acting as a conveyancer in drawing the documents.

Q.—Who was in mind then as a probable purchaser whom they were talking about unloading on? A.—There was no talk of unloading on any one.

Q.—Who were they talking of re-selling to? A.—There was no talk of re-selling to any one.

Q.—You thought, or did you think, that Mr. Fowler had changed his mind and wanted to pay \$50,000 more

for the same property the same night? A.—No; the matter of re-sale was not discussed with me at all; I was not acting for Mr. Fowler in re-selling or anything of the sort.

Q.—I am asking what took place between these gentlemen and yourself? A.—I say there was absolutely no discussion before me about a re-sale or what was going to be done with the limits.

Q.—What were they discussing, how much Fowler was to pay to Ryan? A.—The discussion in my presence was with regard to making a deal between Fowler and Ryan.

Q.—And they had come to the conclusion by which Fowler was to pay \$200,000, and that had been reduced to writing and they had signed it and you had witnessed it? A.—Yes.

Q.—And the same night they both came back, you say? A.—I think they both came back.

Q.—And Fowler then wanted to pay \$250,000 instead of \$200,000? A.—I do not say he wanted to pay, but that I was asked to draw a document with \$250,000 consideration. He did not tell me what he wanted to do or anything about it.

Q.—What was the next you heard about it, did they take away both options? A.—I think so.

Q.—We know from other witnesses, or from another witness who has given an account with some candour, we know what was done with the \$250,000 option, what was done with the \$200,000 option? A.—I do not know.

Q.—How did it get back into your possession? A.—I kept one that night.

Q.—I thought you said Mr. Ryan brought it back to you? A.—I said I thought I gave it to him, and he gave it back to me to keep for him.

Q.—Did you keep the other one—a copy of the other one—did he give you that to keep too? A.—I had a copy of it, but I could not find it. I looked to-day and I could not find it; I am sure I had a copy of it. It is possible that I gave it to him afterwards, I do not know.

Q.—What was the next you heard about that? A.—I do not think I heard very much then till it came to a question of the purchase.

Q.—What do you mean by a question of purchase? A.—The first was only an option, and eventually it came down to a sale and purchase.

Q.—Go on and tell me about it? A.—There was a lot of negotiation over that.

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Q.—Negotiation between whom? A.—between Mr. Ryan and Mr. Fowler which terminated finally in an agreement.

Q.—I do not like to pass this lot of negotiations over just with a word like that; describe the negotiations that you say took place? A.—Fowler said the price was too high and made an offer, I do not know what the figures were.

Q.—What price was too high? A.—\$200,000, and there were offers and counter-offers, I do not remember the amounts of the particular offers—and eventually a deal was closed, the price was fixed for the limits, and a basis for the sale of the logs and lumber, and I drew up the agreement and it was signed.

Q.—You are not telling me what the agreement was? A.—The agreement speaks for itself.

Q.—Have you got it there? A.—No, I have only an unsigned copy.

Q.—But it is a copy? A.—I think so; I have the draft here.

Q.—Did you draw it? A.—Yes.

Q.—You observed that the Albert Canyon limits are dropped out of this? A.—Yes.

Q.—That is the only difference in the property I think, is it not? A.—I think so; I think there was perhaps an extension of some of the limits.

Q.—And the price in this is what? A.—\$170,000.

Draft copy of agreement referred to filed as Exhibit 510.

Q.—Mr. Fowler agreed that he would pay Mr. Ryan \$170,000 and you reduced that to writing? A.—Yes.

Q.—Did you witness that document too? A.—I think I did, that is the original.

Q.—That time did they go through the form of going out of the office and coming back again before they told you to draw the other one up—did they give instructions on the spot to draw another one? A.—I don't think they did.

Q.—You think they went through the form of walking out of your office and then coming back to tell you they wanted \$225,000? A.—I think it was next day.

Q.—The next day they said they wanted one for \$225,000? A.—Yes.

Q.—You were not surprised? A.—I don't know that I was surprised.

Q.—Nor shocked? A.—I don't know.

Q.—Nor surprised? A.—No, I do not know that I was.

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Q.—What did they tell you that time? A.—They did not tell me anything, except to have the agreement with the consideration of \$225,000.

Q.—You were aware on that occasion, as you were aware on the former, that as between themselves the consideration was unchanged, were you not? A.—I thought so, I had no instructions on it, but I thought the consideration remained the same, I was satisfied—

Q.—You were satisfied Fowler was to pay Ryan \$170,000 and no more? A.—Yes.

Q.—What did you think then was the purpose of having the agreement show \$225,000? A.—Oh, I supposed it was for sale purposes.

Q.—Tell me what you mean by that in your own mind? A.—To keep the price up on a sale; I suppose that was likely the object.

Q.—Were you aware at that time that Fowler was the agent of anybody else to buy this property for them? A.—No, I did not; even to this day I have never heard that; of course I did not know Fowler's capacity in the matter at all.

Q.—But you suspected that Fowler was going to put forward \$225,000 as the price he had paid? A.—I suspected that, yes.

Q.—You were quite satisfied that was the purpose of it, were you not? A.—In my own mind I was, yes.

Q.—You asked no questions and you made no protest? A.—I did not ask any questions at all.

Q.—Have you got there the document you prepared when it came back the next day? A.—No, I do not think I have that. I know I had one but I think Mr. Fowler got it from me. I think it was prepared in duplicate, I have an office copy. I always keep an office copy. I have them made in duplicate, two executed, and I keep one just for reference, and that was given out afterwards.

JUDGE MAC TAVISH: That is the one you kept was given out afterwards? A.—Yes, I think it was Mr. Fowler got it.

MR. SHEPLEY: Why was the formality of waiting to the next day observed? A.—I have not the slightest idea.

Q.—It was not at your suggestion? A.—No, I was not taken into their confidence in the slightest; I had no instructions about what was going on at all.

Q.—Had you anything to do with the matter from that time on? A.—

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Nothing further than when the first payment was made to Mr. Ryan, the first payment under the sale agreement.

Q.—You were not acting for Mr. Fowler in his negotiations with the Union Trust Company? A.—No.

Q.—You had nothing to do with the Union Trust Company? A.—I had nothing to do with them; did not know there was anything there until the date fixed for the first payment, and I was asked to go over to the Union Trust Company and the money would be paid.

Q.—What money? A.—The first payment under the agreement.

Q.—Do you remember how much it was? A.—\$100,000.

Q.—What did you go there for? A.—I went over with Mr. Ryan.

Q.—What was your function in going there, what were you there for? A.—I suppose more just simply to see the deal closed, and I really had nothing to do; Mr. Ryan asked me to go over and I went over.

Q.—Was that all you have had to do with it? A.—Yes, I think that is all I had to do with it.

Q.—You have told us now all you ever had to do with this transaction from beginning to end? A.—I think so.

Q.—What are those other papers you have? A.—Excuse me, I drew the assignments.

Q.—What assignments? A.—The assignments of the limits, I believe that is the reason I went over. I had the licenses in my possession from the time the option agreement was signed. Mr. Ryan handed over the licenses to me and I held them, and then when the \$100,000 purchase money was to be paid I had the licenses and went over with them to hand them over to the Trust Company, and I prepared the assignments of the licenses.

Q.—On whose instructions did you prepare the assignments? A.—I prepared those I think on, well, I fancy both Mr. Ryan and Mr. Fowler saw me about that.

Q.—You had not any instructions from anybody from the Union Trust to do it? A.—I did not talk to a soul in the Union Trust.

Q.—You were not instructed to assign the contract? A.—There was no assignment of the contract.

Q.—Yes, but you were not instructed to do it? A.—No, I do not think so. I have not heard of that.

Q.—You never heard that Mr. Fowler transferred the \$225,000 pur-

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chase contract over to Mr. Foster in trust? A.—No, I do not think I ever heard that.

Q.—You had nothing to do with that at all events? A.—No.

Q.—Then what are the other papers? A.—I have my office copy of the assignments of the several timber licenses.

Q.—You have assignments of certain timber licenses? A.—Yes. I have five of those, and then these others are simply the draft agreements and a copy of them; and there is also a deed. I have an office copy of a deed from Mrs. Ryan of I think that is the mill site.

Q.—To whom? A.—To Mr. Foster.

Q.—You did know Mr. Foster in the transaction? A.—Nothing further than instructions from Mr. Ryan; I did not see Mr. Foster about the matter at all.

Q.—You concluded the money was coming from the Trust Company? A.—Yes, I was told when I drew these documents, I think it was the same day the payment was made.

Q.—You knew Mr. Foster was having these documents transferred to him as trustee for the Union Trust Company? A.—I do not think that was communicated to me.

Q.—Did you see the cheque? A.—Yes.

Q.—It was the cheque of the Union Trust Company? A.—Yes, but I did not see that till I went over to close the matter.

Q.—You assumed the Union Trust Company was the interested purchaser? A.—No, I did not know it was a sale, I did not know whether they were advancing the money in the way of purchase money or in the way of a loan; so far as I am concerned it might have been simply a deposit of money to their account as trustees; I did not inquire into that.

Q.—I think the assignments of the licenses were to Mr. Foster? A.—Yes.

Q.—And you drew those? A.—Yes.

Q.—With the Trust Company you had no concern? A.—No sir. I do not think I ever saw Mr. Foster in connection with it until we went in. Mr. Ryan and I, and I think we met Mr. Fowler there and I had the licenses and the assignments and the deed of this property. I think it was the mill site and under instructions from Mr. Ryan I handed them over. The cheque was handed to me and I



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handed it to Mr. Ryan. It all took place in the room there.

Q.—The cheque was payable to Mr. Ryan, not to you? A.—No, it was payable to Mr. Ryan.

Q.—Do you keep a docket? A.—Yes.

Q.—Did you make any charges in your docket in connection with this matter? A.—Yes.

Q.—Have you brought your docket here? A.—No, I have not; it appears in two or three dockets.

Q.—How are the charges made in the docket? A.—There is a record of every transaction whenever I was—

Q.—Who is your client in the docket? A.—Timber limits.

Q.—You do not mention Mr. Ryan's name or Mr. Fowler's? A.—Their names are mentioned in connection with the entry, for instance when I would have a consultation with Mr. Fowler I entered it afterwards, and I would give the effect of it.

Q.—But the heading is timber limits? A.—Yes sir.

Q.—Who was your client, who were you going to charge for what you did? A.—If there had been no deal I was out my time and expenses, but if there was a deal I was getting my commission.

Q.—From whom? A.—Mr. Ryan.

Q.—Mr. Ryan had promised you a commission? A.—Yes.

Q.—What commission had you arranged for? A.—At the outset the commission was to be ten per cent., but we could not make a deal, and when we got down pretty close to the terms—

Q.—When you say the commission was to be ten per cent. you mean it was arranged it should be that? A.—Yes.

Q.—Mr. Ryan arranged to pay you a commission of ten per cent.? A.—Yes.

Q.—On the purchase money? A.—Yes; well, we could not arrive at a price and the deal was about to be declared off, and then I was asked to reduce my commission and I finally consented to it coming down to about I think it was \$12,500, and we had a further—

Q.—What deal was coming off then? A.—That was the—

Q.—The 200,000 dollar deal or the 170,000 dollar deal? A.—It was when we came down to a basis of \$170,000 and an agreement was actually made.

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Q.—Then you agreed to take \$12,500? A.—Yes. And then Mr. Ryan would not go below \$175,000, and Mr. Fowler would not come off, and the deal was declared off, and Mr. Fowler went out into the hall and I called him back and Mr. Ryan and I had a further conversation, and then I talked a little further with Mr. Fowler by himself, and finally it was agreed I should reduce my commission to \$10,000, and Mr. Ryan would waive the difference, and the deal would be closed.

Q.—You were to reduce your commission to \$10,000? A.—Yes.

Q.—Who was to pay that? A.—Mr. Ryan.

Q.—He was to pay that out of the \$170,000? A.—Yes; of course in addition to the \$170,000 he was going to sell his logs and timber and I was getting a commission of \$10,000.

Q.—He came down to the price, \$170,000, when you reduced your commission to \$10,000? A.—Yes.

Q.—And Mr. Ryan was to pay that? A.—Yes.

Q.—That is as far as you know, that Mr. Ryan was to pay it? A.—Oh certainly, I never had any other understanding; so far as I know it came out of him, that is the arrangement I had.

Q.—You have told us a good deal more than you told us before about these negotiations; they were negotiations, you have said, which were threatened to be broken off, Mr. Fowler left the office and you went and spoke with him, and then you went and spoke with Mr. Ryan, and then with Mr. Fowler, tell us what took place on those occasions? A.—It was all on the one occasion.

Q.—What took place between these gentlemen and yourself at the three interviews all on the same occasion—when you followed Mr. Fowler out and caught him and stopped him from going away, what took place between you and him? A.—I tried to get him to come up to Ryan's price. I did not want to see the deal declared off.

Q.—What did you say to him? A.—I tried to persuade him he ought to take it.

Q.—What did you say? A.—I do not remember the words I used. I told him they were so close that \$5,000 was nothing on a deal of \$170,000, and after the examination of the limits and all the trouble that had been gone to I thought it was very

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foolish to let it drop on that. He said, well, you cut your commission down, and he made a suggestion I would give him half the commission, and I would not do it, and I went back into the inner office and talked to Mr. Ryan again and tried to get him to come down a little, and I think we were over two hours with the interview before we finally got to an understanding.

Q.—You were all the time trying to save the transaction so that you could get your commission? A.—Certainly, I wanted to save the transaction and get my commission.

Q.—Then you went and saw Fowler by himself? A.—Yes.

Q.—What did you say then? A.—He told me if I would cut down my commission I would not lose anything by it. He said the chances were he would form a company and he would appoint me solicitor for the company, and anything I might lose on the commission I would easily make up afterwards in business.

Q.—So that you finally made peace between them? A.—And saved my piece.

Q.—And you were to get \$10,000? A.—Yes.

Q.—And you were to get it out of the \$170,000? A.—Yes; that was my understanding; Mr. Ryan was to pay me.

Q.—We have seen the cheques that passed. You are aware, I suppose, that Mr. Ryan got the whole \$225,000 from the Union Trust Company? A.—No, I did not know that.

Q.—You did not know that? A.—No.

Q.—Never had any discussion with him about it, from that date to the present moment? A.—Oh yes, I have often talked to him about the matter. He came in and paid me part of my commission when he got the first payment, and I have often discussed the matter with him, but there was a great deal of trouble about it afterwards.

Q.—How was there a great deal of trouble about it? A.—About delivering the title, I think.

Q.—You had nothing to do with that? A.—No.

Q.—Then you have often discussed it with him? A.—Yes.

Q.—You are aware that Mr. Ryan got the whole \$225,000? A.—I was not aware until you said so this morning.

Q.—When you had been discussing the troubles that had been taking place, do you mean to say that you

never heard until just now, that Ryan had got the whole \$225,000? A.—No.

Q.—You never heard of the litigation between himself and Shields and the Ashcroft people? A.—I knew there was litigation between him and Shields. I knew it was over the limits.

Q.—Did you know that in that litigation it was disclosed that he had the two options, the \$170,000 and \$225,000? A.—Yes, Shields came and saw me about it.

Q.—Then you did become aware he got the whole \$225,000 and paid part back? A.—No, I never heard of it till just now.

Q.—What was he telling you about litigation? A.—We discussed the litigation in various ways and the claim made by Mr. Shields and about the dispute that the limits belonged to Ryan and the accounts between the Ashcroft Company and Shields, and the Ashcroft Company and Ryan.

Q.—You never heard in that litigation that there was a question between this \$175,000 and this \$250,000? A.—I knew there was, because Shields came to me and asked me whether the real consideration was \$175,000 or \$225,000.

Q.—What did you say? A.—I told him I believed the consideration was \$170,000 and was satisfied it was. He did not know Ryan had received the \$225,000.

Q.—You supposed he had received \$170,000 and Fowler had received the difference, 55,000? A.—No, I did not know anything about it. I did not know the money had all been paid until you told me just now. Probably there is more than that, because that deal was completed according to agreement on the logs and timber.

Q.—I am speaking only of the amounts \$170,000 and \$225,000. You supposed the transaction was being concluded with the Union Trust Company on the basis of the higher price; that is what it was for as you have told us with more or less frankness? A.—I did not know anything about that. I did not know the capacity the Union Trust Company were acting in at all. I did not know whether they were to be purchasers or mortgagees or simply trustees in paying over the purchase money and taking the conveyances.

Q.—Then Mr. Ryan paid you how much? A.—He paid me \$6,250 when the first payment was made. He asked me to wait until the balance of

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the purchase money was paid for the balance of my commission.

Q.—Well, when the balance of the purchase money was paid did you get the balance of your commission? A.—I have not got it yet. I have a note for it.

Q.—And this, I think, is the cheque you got with your endorsement on it. It is one of the papers in Exhibit 500? A.—Yes, that is the cheque.

Q.—Who was the man down East, in Maine, that you thought was interested in the early part of these negotiations? A.—The name that was given to me was a man by the name of Harper.

Q.—Whose friend was he? A.—I do not know.

Q.—Whose backer was he? Who was tied up to him of the men that were talking to you? A.—I do not know that anyone was tied up to him. Mr. Fowler said he thought he could make a deal with him.

Q.—Make a deal with Harper? A.—Yes, that is all I know about him. I think I drew an option from Fowler to Harper.

Q.—You think you did? A.—Yes, I did.

Q.—You did not tell me about that option? A.—This is it.

Q.—This is the same date as the option of October 24th, 1903. This is an option from Mr. Fowler to Mr. James Harper of Massachusetts. Boston is not in Maine? A.—have not looked at it since, I thought it was down in Maine.

Q.—24th October, Fowler to Harper, for \$250,000. Was this drawn in the evening or the morning, or the day time. Was this drawn when you first prepared the \$200,000 option, or when you prepared the \$250,000 option? A.—I could not say.

Q.—You ought to have told me about this otherwise than in this casual way. Did you prepare this option when you prepared the \$250,000 option or when you prepared the \$200,000 option? A.—Well, they were all on the same day, I think.

Q.—Did he after the \$250,000 was drawn and signed, go out of your office again, and again come back and ask you to draw this? A.—Oh, I cannot say as to that.

Q.—Was this option logically connected with the \$200,000 option or with the \$250,000? A.—I do not

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think it was connected logically and illogically with either one.

Q.—You do not think it was? A.—Mr. Fowler got an option on the property and asked me to draw an option—

Q.—He got two options on the property? A.—All right; he got an option on the property and afterwards got an option at a different price. He asked me to prepare an option to another party—to this man Harper. I prepared the option, Fowler to Harper, I do not know there is any connection between them at all, it is simply the same property.

Q.—I want to get to your understanding, if I can. Did Mr. Fowler instruct you to prepare this option after he had given his \$200,000 option or not? A.—After he had got the \$200,000 option, you mean?

Q.—Yes, after he had got the \$200,000 option from Ryan? A.—It must certainly have been afterwards, because it would not—to be perfectly candid with you I do not recollect the particular minute he gave the instructions, but I would think naturally he got the option before he instructed me to draw an option from him to the other party.

Q.—Did he instruct you to draw the Harper option before you got the \$250,000 option from Ryan? A.—I cannot say from memory which.

Q.—Why? Because you do not remember? A.—I do not remember which it was.

Q.—The transaction was so little impressed upon your mind that you do not remember? A.—It made no impression, it was just a bit of conveying in the ordinary course of business.

Q.—Do not say in the ordinary course of business. Drawing two options on the same day between the same people—do not call that the ordinary course of business? A.—Yes, it is in the ordinary course of business. (Exhibit 511).

Q.—Is that all you know about it, or can you supplement that? A.—If there is anything you can suggest I will be glad to tell you.

Q.—Is there anything else you know about? I want to see whether you will, on your own initiative, on an invitation like that give us some further information? A.—Well, there is one thing in connection with my



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commission, I remember that as an inducement to reduce my commission I was told I would get some stock in the company and I had never had any and I did not get the solicitorship and did not apply for incorporation. I never heard of that afterwards.

Q.—Who told you you would get some stock in the company? A.—Mr. Fowler, he said if I would reduce my commission so that the deal would go through it would be better for me, that while I would lose a little on the commission, I would get the business and get some stock which would be valuable, and I reduced the commission and I did not get the stock or the business.

Q.—Will you be good enough to go to the telephone and telephone for the dockets so that we can see the entry in the dockets. I thought you would probably bring them on the subpoena. A.—I did not think you would want them.

Q.—Will you telephone and get the dockets containing the entries with regard to this transaction because we want to go into them again. Do not take the papers away because when the docket arrives I may have to ask you about the papers? A.—I will keep them in my pocket.

(Witness retires to telephone).

MR. SHEPLEY: Mr. Stevenson has asked me—and I have told him of course, that I would do so—to incorporate in his testimony and number the document as being produced and verified by him, a statement showing that the real estate land transactions in the North-West have been, as it has turned out in each case, profitable, taking each upon its own footing. (Statement Exhibit 512).

SIR JOHN A. BOYD, sworn, examined by

MR. SHEPLEY: Q.—We have been told that you purchased after Judge McDougall's death from his estate certain stock that he held in the Union Trust Company? A.—Yes.

Q.—And that, qualifying upon those shares, you were elected to the Board of the Union Trust Company, and remained upon the directorate until last year? A.—Yes.

Q.—Then in the course of the business of the Union Trust Company a company was formed which was known as the Great West Land Company? A.—Yes.

Q.—You were, of course, aware of the formation of the company? A.—Yes, generally I know. I do not remember the details. I have a recollection of the salient point.

Q.—In the result, in the distribution of the stock, it appears upon the minutes and upon the record that \$1,000 in the Great West Land Company was allotted to you? A.—Yes. That was done without my request, in order that I might qualify and be on the Board.

Q.—You seem also to have been a shareholder upon the terms of having your subscription called for? A.—Yes, I subscribed for 40 shares. I believed in the success of the concern.

Q.—That would be \$4,000? A.—Yes.

Q.—And I think you have made payments? A.—It is practically paid up. I think it is fully paid up.

Q.—Then it appears from the record which we have been examining, that Mr. McGillivray, Mr. Foster and Mr. Wilson who were all directors of the Union Trust Company, were interested in the promotion—personally interested I mean—in the promotion of the Great West Land Company. Will you make any statement in regard to that and in regard to the matter generally, that you think proper to make? A.—I am very glad for the opportunity of stating the matter from my point of view. Of course I know recollection is fallible; extraordinary mistakes are made by people in relating affairs, all trying to tell the truth, and I make no imputation of course at all, as to what has taken place in this inquiry, but from my point of view this is the position: I have jotted down here briefly, that I might not take up too much time, the matters which it seemed to me that I should state something upon. First as to the legal aspect of the matter, the only opinion expressed by me as to the transaction involving taking up or acquiring land in the North-West by entering into a joint dealing with that syndicate you have named, who controlled the option to purchase, the only opinion I expressed was that it was competent for the Union Trust Company to enter into that in point of law, that being an outside syndicate who had acquired what they thought a valuable property, presented it for the consideration of the Trust Company as a thing to be gone into jointly—I said there was no objection that I

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could see in point of law to that, as it was a matter initiated outside of the company and brought to them for consideration. That is the sum total of my expression as to the law, and all I think I was asked for. I was given to understand that a very substantial part of the price would be met by the syndicate who had the option, and that the rest was to be undertaken by the company. What terms of profit the syndicate made I was not aware of. That was a matter I supposed which was adjusted to the satisfaction of the Foresters with these members of the syndicate. It was a matter of affecting only the degree of profit which would be made out of the concern, but as to that I knew nothing. I had no intimation that the directors of the Union Trust were going to borrow from the Union Trust in order to carry out their share of the transaction. That was news to me as was also the fact that they were not substantially interested in contributing the money. When I subscribed my shares and became liable for them I thought a very large part of the stock in the hands of the syndicate, was already placed. It may or may not be so. I suppose it is not so from what I have seen. That is the whole of the legal aspect of the case. Then from the business point of view, in my mind the controlling point of the whole situation of the project was this: that in the transactions of the Union Trust Company there had been, as I think has been the case in the most of these companies, very large transactions in Manitoba and North-West lands, and I understood, and I am well satisfied, that there was no large expenditure of money made by way of investing without the sanction of the Foresters. It has been said that the Union Trust was the child of the Foresters. The Union Trust of course invested the money of the Foresters, and had regard to their wishes, and no large transaction was undertaken without the consent of the Foresters. In regard to this particular thing I think everybody was agreed that it was most likely to be, almost certain to be a most profitable venture. I think Dr. Oronhyatekha was also of that opinion, and I think Colonel Davidson, and all the rest, who had a great deal of experience in the North-West were strongly of the opinion that it was a desirable proposition, and that is the chief point. As to the details of carrying them out, I know very little about them, and

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concerned myself very little about them. Personally I wished the Union Trust Company to reap the largest possible profit that could be got from it, and it was left to them to choose whether they would take shares or share in the profit. There was no idea in my mind ever presented itself of any clash of interest between the Directors of the Land Company and the Union Trust, because in this matter, as in all others, the wishes of the Foresters would carry with the Union Trust; whatever they wished would carry, and while it is quite true this is a matter of form it is one which, if any objection had been made at the time it would have been rectified at once by putting it in one form or other as the Foresters wished, as indeed was afterwards done, when I believe some objection was made to the form of it by Mr. Stevenson, at a time when I think I was not any longer in the company. I am not sure about that, but that seemed to me a matter of form, going to a greater or less proportion of the profits that would come. No one looked at the matter from an adverse point of view, as if there was going to be a loss. That was not anticipated. No person had the faintest idea of that, and it may be wrong perhaps that the matter was not regarded in that point of view, but the optimistic view certainly prevailed, and I suppose as a matter of judgment it depends very much on the temperament of the Board, and upon the experience they had, and everyone seemed to be quite agreed that this was a most desirable proposition, and in the result I believe it has so turned out, that a very considerable profit will be made from it. I have spoken about the shares I have taken. I merely wish to mention that as an evidence that I believed in the concern, and was willing to put what money I had at my hand in the matter. That covers everything I wish to say voluntarily I think.

Q.—There are just two things that perhaps you will let me ask you. In the first place it appears that so far as the Great West Land Company was concerned, the only money that was ever put up apart from what the Union Trust Company contributed, was put up by yourself, and another small shareholder, Mr. Scholfield? A.—That I was not aware of. I am very much surprised indeed, because I thought quite the contrary.

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Q.—It appears beyond controversy I think that the gentlemen who were interested, and who were on the common directorate, the three members of the syndicate who had a personal interest from the beginning to the end never risked any money at all? A.—That I am surprised at.

Q.—And they have come out of the transaction with all the stock of the company that is extant, except— A.—That is a thing I never knew of, and never sanctioned, and would not have listened to if I had known of it.

Q.—Practically all I should say; and for that stock no money has been paid by them. Those things you were not aware of? A.—No. In fact when the call was made on me for stock it was stated—I was a little dilatory in paying I suppose—it was urged that all the stock had been paid up.

Q.—It is all pro forma paid-up stock? A.—Yes, that was quite true in one sense, but not true in another.

Q.—Then the other matter was this. You spoke of the delay in exercising the option, and of the option having been exercised. Mr. Stevenson, who gave us what he had to say with a great deal of candour, spoke of that in this way; he said, "It seemed to me objectionable that the people who had the personal interest should be in the position of saying, option to-day one way, option to-morrow the other way?" A.—Well, I will explain it to you. That was a matter of mere form, because to my mind the Foresters wish would prevail, whatever the Foresters wished. It was not a matter of the Union Trust directorate voting that way, but to consult the Foresters as to what they wished. That is the solution of the whole thing. In one way there may be a difficulty, as Mr. Stevenson stated, but practically to my mind there was no difficulty whatever, to let them elect what they thought would be most advantageous. I am not sure that I was aware of the shape in which it was put. It may be it came before me formally, but certainly my attention was not called to it, and I did not consider it, and it was not presented in the way Mr. Stevenson put it, and if it had been the Foresters would have been asked which way they would have had it.

Q.—Mr. Stevenson does not evade any responsibility as far as he was concerned, and as far as the position he has taken in the Union Trust Board after these questions arose and

became burning questions? A.—I do not know what happened. That matter I think entirely occurred after I left, but I should have thought there would be no hesitation in saying at once that whatever the Foresters desire, as they have a large stock in this, it shall be so.

MR. NESBITT: It is only fair to say to you that Mr. Stevenson said that there was no hesitation—the moment the Foresters indicated a wish it was done.

WITNESS: I thought so. In the matter as to the by-law, or whatever the agreement was, there was no criticism of its details, because everyone was anxious to do the best they could for the Foresters, and as everyone believed substantially it was a good proposition, the shaping of it was of minor importance.

MR. SHEPLEY: Q.—Perhaps without expressing any opinion—I am entitled to have opinions upon the subject—the thing most to be regretted about the matter, is that the people who were on the Board were bringing in the property at an advance upon what they themselves were getting it at? A.—That I do not know.

Q.—You were not aware of that? A.—No.

Q.—Roughly speaking there was \$100,000 added? A.—That again was a matter I think the Foresters must have been aware of in sanctioning the arrangement, but I do not impute blame to anyone. It did not come home to me at all events.

PETER RYAN, sworn. Examined by

MR. SHEPLEY: Q.—You have an official position and title. You are the Registrar of the Eastern Division of Toronto? A.—Yes.

Q.—You were interested—I am not concerned with inquiring into the various conflicting interests—you were interested in certain timber limits and property in British Columbia? A.—Yes.

Q.—And it has been said by Mr. LeVesconte that you employed him to sell the limits for you. What do you say to that? A.—I did not employ him. I gave him an option to sell.

Q.—In writing? A.—I think so. Q.—You think you gave Mr. LeVesconte an option in writing? A.—I think so.

Q.—Do you know at what figure? A.—I think it was \$200,000.

Q.—You think you gave him an option at \$200,000? A.—Yes.



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Q.—When and how did Mr. Fowler come upon the scene? A.—Mr. LeVesconte introduced Mr. Fowler to me.

Q.—And did you come to an arrangement with Mr. Fowler by which he took an option? A.—Yes.

Q.—And what was the arrangement you came to with him? A.—I think at \$200,000.

Q.—What was Mr. LeVesconte's interest in the matter at that stage? A.—Only interested in the commission he would receive.

Q.—He was to receive a commission from you? A.—Yes.

Q.—Do you agree with what he said, that the commission was to have been 10 per cent.? A.—No, I do not remember that.

Q.—What is your recollection as to the amount of the commission? A.—I have not any distinct recollection now.

Q.—You have no distinct recollection about that? A.—No.

Q.—But you were to pay him a commission out of the transaction, contingent I suppose upon your carrying out the sale at \$200,000 to Fowler? A.—Yes, there was a commission to be paid, but I forget the particulars.

Q.—Then it appears that upon the same day you signed an option to Mr. Fowler in which the figure was \$250,000. Do you remember that? A.—I do not.

Q.—You do not recall that? A.—No. There is only one explanation I can offer with regard to that, and that is that the eastern limit in township No. 25, and another limit at the Illecillewaet would be embodied in it, and the two options being dissimilar, the prices would be dissimilar. That is the only explanation I can offer.

Q.—What is limit 333. Do you remember it by number? A.—I do not remember 333.

Q.—233 I should have said? A.—I cannot particularly distinguish it now from memory.

Q.—There is a difference. Mr. LeVesconte says it was intended substantially to cover the same property, but there is a difference in the phrasing of it. In the \$200,000 option it is berth 233, containing about 23 square miles, and in the other option berth No. 233 is divided into two parts, berth No. 233-1, and berth No. 233-2. Does that bring anything to your recollection? A.—Yes, that would be a portion of township 25. I know that the three limits that are included in township 25 are in the

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aggregate 33 square miles, one being substantially four miles, one 6, and the other 23. I beg pardon, the one is 225—berth 225.

Q.—That is in both options, so that that would not make any difference? A.—Then it would not include that small limit—

Q.—That small limit is in both of these? A.—Then I cannot give you any explanation about it.

Q.—And you have no recollection about it? A.—No.

Q.—At that time were you aware of what Mr. Fowler's intention was with regard to the matter? A.—No, not the slightest.

Q.—You do not know to whom he was going to introduce the property? A.—Not the remotest.

Q.—But you thought he was going to introduce it to someone? A.—No, I thought he was going to operate it himself, being, as I was informed, not only a lawyer, but an experienced lumberman in New Brunswick in his earlier days.

Q.—Was your attention at all directed to the question whether or not he was going to interest other people in it with him? A.—No, unless it was some of his lumbering friends down east, whom I did not know.

Q.—And with whom you had nothing to do? A.—No, nothing.

Q.—And the negotiations you say as far as you are concerned did not extend to anything in the nature of a re-sale or re-arrangement? A.—No, no.

Q.—Then he came subsequently and took up the option? A.—We negotiated and agreed.

Q.—And you made an agreement with him? A.—Yes.

Q.—Came to terms? A.—Yes.

Q.—At that time were you aware of what the intention was with regard to it? A.—I was not.

Q.—You had no knowledge of that whatever? A.—None whatever.

Q.—You do not know what arrangements he had made or was making? A.—No.

Q.—Or had contemplated making? A.—No.

Q.—What figure had you agreed upon with him? A.—\$170,000.

Q.—That omitted the Albert Canyon limits? A.—Yes.

Q.—Was Mr. Levesconte taking part in that? A.—Oh, I do not remember.

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Q.—He seemed to have done the conveyancing? A.—Oh yes, he did.

Q.—Now then tell me about that \$170,000 option? A.—It was \$170,000.

Q.—That was the option? A.—Yes.

Q.—That was the real option? A.—Yes.

Q.—Tell me about the other one for \$225,000? A.—When I called upon them I think in Mr. LeVesconte's office they stated that—

Q.—Who did? A.—I do not know which of them stated, but the documents were prepared for me at \$225,000, appointing Mr. Foster trustee, I think it was, or assigned over to him, and I carried it out, the understanding being—

Q.—At that time you were aware, if your memory is accurate, that Mr. Fowler was passing on the limits? A.—For the first time.

Q.—That is when he came to carry out, to execute the document which you had agreed should be executed, conveying the limits to him at \$170,000? A.—Yes.

Q.—Then for the first time you say you found that the limits had been passed on? A.—Yes.

Q.—You say it was in Mr. LeVesconte's office, and the document was ready for you? A.—I think so, yes.

Q.—The \$170,000 was arrived at when you got past the stage of option, and were coming to agreement? A.—Yes, that was the agreement.

Q.—Now the agreement between yourself and Mr. Fowler is dated 26th January, and the agreement between Fowler and Foster is dated the 8th February? A.—I do not know anything about the agreement between Fowler and Foster.

Q.—There was no reference in your agreement to Mr. Foster at all? A.—None at all.

Q.—Then what was it you found when you went there? You say you found they had a document ready for you conveying the property to Foster in trust? A.—I think it was in trust. I know the properties were understood to be conveyed to the Union Trust Company in trust for the purchasers.

Q.—At all events you knew that when you came to sign the agreement conveying these limits to Mr. Fowler. You were aware of that at that time? A.—Yes.

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Q.—So you must have been aware of that on the 26th of January, 1904, because that is the date upon which you conveyed the limits to Mr. Fowler? A.—The day I conveyed them?

Q.—Yes. A.—Then it must have been that particular day.

Q.—That very day you became aware that the limits were being passed on or dealt with through the Union Trust Company? A.—I think that is correct.

Q.—I suppose you do not feel any doubt about that, I do not suppose anybody does? A.—I do not know as to the dates. I have not anything to refresh my memory whatever.

Q.—I am speaking from the face of the documents themselves. It was on the 26th January you conveyed the limits to Mr. Fowler and Foster was not a party to that, so that you must have heard of that otherwise than seeing it upon the document that day? A.—I could tell if I saw it. If you want to simplify matters, I think I can explain it to you.

Q.—This is given to me by Mr. Stevenson as being a copy and I have no doubt it is? A.—That looks like it. There is the 233. I know it now. I recognize it. That is the 233. That is at Adams Lake. It has all the appearance of being the original document so far as I know, although you see it is only a copy.

Q.—That is the agreement by which you conveyed to Fowler these limits and certain other property—we will not bother about those—those are only details—and you are to be paid \$225,000 for these limits? A.—Yes.

Q.—What did you say when you found the document prepared which indicated that you were to be paid \$225,000, because that is the way in which it came up to you? A.—I do not remember saying anything, but the understanding was that the price to me was to be \$170,000, and that the difference was to be returned to Mr. Foster, Mr. Fowler in the meantime having made arrangements to get an advance upon the properties which he purchased, but to what amount I did not know. I did not know anything about his arrangements with the company, nor did I care.

Q.—But you did know that you were to appear to get \$225,000, but in reality only to get \$170,000? A.—That is so.

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Q.—You were to collect \$225,000 as though that was your price? A.—Yes.

Q.—And return \$55,000 of it to Mr. Fowler? A.—That is correct.

Q.—How did that understanding come about? A.—There was no understanding except the document was put to me and I was asked to sign it, and I presume I would have signed it for so many million so long as I was getting the money which I agreed to receive.

Q.—You presume you would have signed it no matter what had been in it? A.—Oh, no, not whatever had been in it, but so far as the amount was concerned—

Q.—You were protecting yourself at the same time by taking an agreement which named \$170,000? A.—The understanding was only \$170,000.

Q.—You were taking an instrument which said so? A.—I presume so—no, I do not know. I do not think I made an agreement with him in writing at \$170,000. The \$225,000 was the agreement given to me but the clear understanding was that \$170,000 only was to be the price, the difference going back to Fowler, but whether it was embodied in writing or not comes to the same thing.

Q.—This is a document which is said to have been executed by you and Mr. Fowler, and it bears date the same day, 26th January, and witnesseth that the vendor sells to the purchaser these limits for the price or sum of \$170,000. (Exhibit 495.) A.—Very likely. Let me see that.

Q.—This is only a copy. Mr. Levesconte gives me this as a copy and says it was executed? A.—I do not know if it was executed, but it was the unwritten agreement if it was not executed.

Q.—It must have been written, because Fowler would not have trusted you to get the whole \$225,000 if he had not that paper— A.—Oh yes he would, and I venture to say that was never signed by me. I am giving you that as my opinion.

Q.—At all events that was the transaction? A.—Yes.

Q.—How was that justified by you? A.—I never thought about the justification. I wanted to sell the property.

Q.—What was said to you? A.—I do not know what was said. I cannot remember.

Q.—Tell me what was said by Mr. Fowler to you as the reason why he wanted you to pay him back \$55,000, you appearing to receive \$225,000

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yourself? A.—I do not know what he said, but I know the clear intimation to me was that I should receive \$225,000 and give him back the \$55,000.

Q.—Why did he say you were to give him \$55,000? On what ground did he put it? A.—He did not put it on any ground, but I think I understood clearly what he meant.

Q.—Tell me what happened? A.—That he was getting that in addition to the amount of money I sold him the property for, and which, as far as I was concerned, did not interest me at all. I wish to be frank with you and tell you.

Q.—Tell me what Fowler told you as the reason this was to be done in this way? A.—I really cannot remember. It is nearly three years. I do not remember our conversation or the phraseology that was used, or anything, but I think that I do know that two and two make four, and that Fowler was making a profit upon the transaction, which I did not object to.

Q.—I want you to reflect for a moment and see if you cannot recollect what was said? A.—Well, it is a difficult matter remembering for years. There are some matters I do not remember.

Q.—We will recognize that, but I want your best recollection of what was said? A.—It is difficult to remember.

Q.—So you have said, but you are used to facing difficulties and overcoming them? A.—I am prepared to meet this too. I would be glad to give you the substance and particulars of the conversation, if I remembered it, but I do not remember it. But I do know the document for \$225,000 was placed before me. I know I signed it. I know I conveyed over a property that was worth twice the money that was named. I did not care whether it was Fowler or who got it. I sold the property because I was obliged to do it. It was being operated at a loss, though a very valuable property if the proper capital had been put into it. But as to any conversation, Mr. Shepley, I do not at this moment remember. If I did I would tell you.

Q.—When did you forget it? A.—I cannot say.

Q.—Did you forget it since you got in the box? A.—Oh no, that is not a generous remark.

Q.—Did you forget it this week? A.—It was very clear to me that the



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\$55,000 was a profit to Mr. Fowler. That was very evident.

Q.—Now if you will put your memory to work for a moment— A.—And I was to give back to Fowler the difference.

Q.—You have told us that and I want your memory to work? A.—If you can refresh my memory I will be glad to get the hint from you.

Q.—You did not profess to have forgotten it when you were asked the question? A.—In British Columbia?

Q.—Yes? A.—Yes.

Q.—You did not profess to have forgotten it then. Have you forgotten it since then? A.—It is quite possible.

Q.—What is quite possible? A.—The conversation between Fowler and myself on that occasion, you mean?

Q.—Yes? A.—I do not know that it is pertinent to this at all. I do not remember it.

Q.—You have told me you do not remember. Now I have asked you whether you have forgotten it since you were examined in British Columbia a few weeks ago? A.—As to what our conversation was?

Q.—Yes? A.—I said nothing in British Columbia on that point that I remember.

Q.—I am asking you if you have forgotten it? A.—Yes, I must have forgotten it if I said so.

Q.—You have forgotten it? A.—I must have because I do not remember anything now. If I said anything then I do not remember. Mr. Fowler was to get the difference. I was only to get \$170,000. I was to convey the properties as at \$225,000, which I did. And that is the substance, and that ought to speak, I think, a great deal more than any recollection of our conversation.

Q.—Will you work your memory for a while and rest the other organ? A.—I wish you would only show me the example.

Q.—I have been very quiet. I will stay perfectly still while you are thinking? A.—It is not a bit of use, I would only get embarrassed. I really do not remember. If I did I would be glad to tell you. I am here to tell you all I know, I am here to keep nothing back. I have nothing to keep back so far as I am personally concerned.

Q.—I am setting you an example. I am keeping perfectly still? A.—But we must entertain the audience.

Q.—No, that is not what you are here for? A.—No, I should not say that.

Q.—You are here to give me your memory, if you have any, and if you have not any memory to-day, tell me when you lost it? A.—The conversation with Mr. Fowler I cannot at this moment remember. It was to the effect that \$225,000 was to be the nominal or professed price in the conveyance. It was mentioned to me—it was given to me without my having any interest in the difference between the \$170,000 and the \$225,000. I carried it out. That is all I can remember.

Q.—What did he say he had to do with the \$55,000? A.—Nothing, never mentioned what he had to do with it.

Q.—Now your memory is good. He did not mention it? A.—Well, you would not have me remember something that was not said.

Q.—Never mind what I would do. I am more concerned with what you are doing now? A.—There might have been something said about considerations to some of his associates, but I do not remember that particularly.

Q.—You do not remember it particularly? A.—No, I do not.

Q.—What do you remember of it? A.—I remember nothing, beyond what I have tried to tell you.

Q.—What did you mean when you said he might have mentioned that he might have something to do with his associates. What had you in your mind? A.—I do not know what I had in my mind. But if what I had in my mind is going to become the vehicle of slander I decline to say it most firmly. I have no right to assume it was anything improper.

Q.—What you are saying now, if I understand you aright is, that you are not going to say what you remember, because it would be a slander? A.—I did not say so, but Mr. Fowler, as I understood, had some associates in the company that was going to be formed. There was Mr. McCormack, there was Mr. Irwin, and I do not know whether Mr. Hale of the Enderby Lumber Company was not included, but I had no conversation with these gentlemen at all, but I know their names were mentioned as men about to form, with Mr. Fowler a lumber company to operate in British Columbia.

Q.—He did not tell you he was going to share any of it with them? A.—No, he did not, not particularly.

Q.—Why did you drag them in? A.—Because their names were men

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tioned. I am not dragging them in.

Q.—I am trying to get what was said to you by Fowler about the destination of that \$55,000? A.—No.

Q.—You have told me at one time you did not remember, and you are not going to say because it would be made the vehicle for slander. I want to know whether you are going to say now? A.—No, you asked me what was in my mind at the time. You do not want me to tell you what might be invented.

Q.—I want what Fowler told you? A.—You asked me what was in my mind.

Q.—I was asking you what was in your mind when I was asking you the question? A.—Well, get down to what you want.

Q.—What did Mr. Fowler tell you was the destination of this fund of \$55,000? A.—It was not mentioned at the time.

Q.—Do you swear that? A.—I do.

Q.—Do you say he did not say anything in regard to what he had to do with it or was going to do with it? A.—I do not remember anything of the kind.

Q.—Do you say you do not remember or that did not occur? A.—I am very sure that did not occur.

Q.—Will you swear it did not occur? A.—Come now. Not so far as I remember, and it is not likely such a thing was said. He might have said to me many things.

Q.—What do you remember that he said to you? A.—But he never implicated any particular individual as a participant.

Q.—What did you mean when you talked about slander a while ago? A.—There has been a good deal of it lately, it has been flying around.

Q.—What did you mean when you said your answer might be a vehicle of slander? A.—I would rather not say, what I thought has not any bearing on this question.

Q.—I am asking what you thought—what he said? A.—That is the very thing you are asking.

JUDGE MAC TAVISH: No, what Mr. Fowler said.

A.—I do not remember, your Honor.

MR. SHEPLEY: Why did you fear if you told me you might be slandering somebody? A.—Well, I might imagine that part of the \$55,000 might go to any of the four winds of the heavens, but that is no justification for my saying so, and certainly I cannot appeal to my imagination.

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Q.—I am not appealing to that characteristic of yours, I am appealing to your candour as a witness? A.—I am trying to be candid.

Q.—You expressed the fear that if you answered the question you might be slandering someone? A.—Well, I might be slandering A. B. or C.

Q.—That is if you told me what Fowler said? A.—But I do not remember. You asked me what Fowler said, and I cannot remember, and another thing, I do not think I would have given it a moment's thought.

Q.—You did not believe it? A.—No, I would not have believed it. I believed it was for payment for himself.

Q.—You did not believe what he told you about it? A.—If he said anything that it was not for himself I did not believe him then and I do not believe him now.

Q.—You did not believe what he told you? A.—No, I do not believe he told me anything. You are still harping on that.

Q.—This is not a common occurrence? A.—I appreciate your position and mine. I have repeated over and over again that I do not recall what Mr. Fowler said. Do you wish me to contradict myself?

Q.—I wish you to give me your recollection or else explain why you have forgotten it? A.—I do not say I have forgotten it, nor do I say I made mention of the fact that I remembered such a thing. If I have done so I am open to the charge of inconsistency or defective memory. I am quite willing to admit it, but if I can help you further I would do it. I am here to tell the truth, and as Sir John Boyd read you out his story I will give you mine without any interruption, if you will permit me. These properties were submitted at a price. We came to a bargain. The bargain was carried out and it was made to appear that \$225,000 was the price. I carried that out. Whatever is to be testified it must be by Mr. Fowler.

Q.—You got the \$225,000? A.—Yes.

Q.—You paid him back \$55,000? A.—Nearly \$55,000.

Q.—Did he claim that amount, that he was to have \$55,000 of that returned to him? A.—Yes.

Q.—He told you, did he not, for what purpose he required the money, and do you say you have forgotten

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it? A.—Subsequently, months after that, he did say it was not all for himself, that he had to divide up. I never asked him with whom he was going to divide, or with whom he had divided it.

Q.—Did he tell you? A.—I won't answer it.

Q.—You won't answer? A.—No.

Q.—You say months after. How long after was it? A.—I cannot say; quite a time afterwards, but I did not believe him. I do not believe him now.

Q.—And therefore, you do not tell me what he said? A.—No.

Q.—You refuse to answer? A.—I do.

Q.—I ask you to come back at half past ten on Monday morning and see whether, after reflection, you change your mind on that question? A.—I hope you do not think it is stubbornness. I do not think the retailing of an answer would do any good.

Q.—If you will come back here at 10.30 on Monday morning we will see what will be done.

JUDGE MACTAVISH: What about Mr. Levesconte?

MR. SHEPLEY: My suggestion is that he should leave those papers with us and return on Monday morning.

MR. LEVESCONTE: These dockets are in daily use in my office.

MR. SHEPLEY: We are not going to keep them so that you cannot get them back.

MR. LEVESCONTE: These are not in reference to these matters. These are my general dockets.

MR. SHEPLEY: Well, you will let us see what is in them?

MR. LEVESCONTE: Yes.

JUDGE MACTAVISH: If it appears before we adjourn on Friday evening that the witnesses that are wanted to continue this inquiry will not be here on Monday morning, I hope we will not be called here—

MR. SHEPLEY: We will arrange to communicate with the witnesses.

JUDGE MACTAVISH: Right away?

MR. SHEPLEY: Yes.

(The Commission then adjourned from Wednesday, September 26th, at 5 p.m. till Thursday, September 27th, at 11 a.m.)

## SEVENTY-FIFTH DAY.

### MORNING SESSION.

Toronto, Thursday, Sept. 27, 1906.

MR. SHEPLEY: The first thing I desire to do is to correct an erroneous impression which seems to have been taken with regard to a statement furnished to me by Mr. Stevenson, and which I put in yesterday afternoon as his statement, with respect to the transactions in the North West lands. The statement was not given to me and I did not put it in for the purpose of showing that the Trust funds had benefited to the extent shown by the statement, but only for the purpose of showing that the transactions were in themselves meritorious. The statement was not filed with any intention of showing the Trust funds had benefited or had not benefited, it was only for the purpose of showing what happened in the transactions themselves; for instance, the Great West Land Company, the profits in that were not taken by the Foresters at all; they went to the syndicate we have heard about. But it was only for the purpose of justifying in a general way the policy of investing in that sort of security.

JUDGE MACTAVISH: Yes.

MR. SHEPLEY: I ought to tell Your Honors that Sir John Boyd has desired to make a further statement and I have said Your Honors will give him the opportunity at eleven o'clock, and I have no doubt he will be here in a moment. He is sitting in the other Court Room.

—Hon. Sir John A. Boyd made the following statement:—

I would like, with the permission of the Board, just to supplement what I said last night—I am aware I am under oath—lest there might be any mistaken impression or any injustice done to anybody. I have been thinking the matter over. While I cannot recollect just the details, I may have said to Mr. Wilson in my interview with him that it was competent for this company and this syndicate to enter into this joint deal, and that there might be proper compensation made if the syndicate, required that as a condition, they being an independent concern and having it in hand might say the terms on which they might come in; if that was satisfactory and acceptable to all parties interested that that might be carried out. That may be the origin of this \$95,000 that we have heard about, although I do not recollect it in that shape, but if it was carried out in that way that is one thing. What was



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distinctly present to my mind in speaking with Mr. Wilson was that there was going to be a substantial payment on the part of this syndicate; it was to be a joint concern, it was to be a sort of partnership concern. If the transaction had been understood by me to be this, that there was to be a sum of money paid to them, such as \$95,000 or anything else, and they to be putting nothing in, then the transaction would have assumed a very different form; that would have been then really a purchase of all the syndicate interests and all the profits should have gone to the Trust Company; and the syndicate should have gone out. If they were going on as a joint concern, which I understood was the case, my recollection is very clear, I have no doubt at all about that, that it was represented to be on the basis of their paying for some substantial share of the concern, and their right to get profits would be only based on the money they put in out of their own pockets. The idea never entered my mind, never was communicated to me, that this transaction was to be one in which the company should advance the whole money and the gentlemen who put in nothing should reap the profits. That certainly was not a transaction I could have sanctioned in any shape or form. I just mention that in case it might be thought there was some misapprehension about this \$95,000. That bonus given in that way certainly would not have been carried out to my mind properly by giving a share of the profit. If that be representing the price which they charged the company to come in, all parties interested agreeing to that, that should have been the end of it. It seems to me an anomalous thing to put that in as a profit sharing fund in competition with gentlemen who were paying, as I thought all these other gentlemen were paying, their proper share. That is the explanation I wish to give, as the matter was in my mind.

#### WOODMEN OF THE WORLD.

Mr. T. H. Luscombe, appeared for the company.

WILLIAM C. FITZGERALD, recalled.

MR. TILLEY: Q.—You are already sworn? A.—Yes.

Woodmen of the World.

(W. C. Fitzgerald, E'xd.)

Q.—The investigation of the Woodmen was adjourned from London till this date—it was first adjourned to an earlier date, and then put off till this date because you were still not ready with the books. Have you completed the work that you thought was necessary in connection with the books? A.—Yes, we did.

Q.—And there is no further time desired so far as you are concerned in order to complete that? A.—It was suggested we should have a further adjournment to carry out the suggestions of Mr. Edwards.

Q.—That was suggested by whom that there should be a further adjournment, by you? A.—No.

Q.—The books now, as I understand it, are completed to your satisfaction? A.—I thought so.

Q.—That must be the fact then, I suppose? A.—Yes.

Q.—From your standpoint there remains nothing more to be done, is that right? A.—Unless we carry out the suggestions of Mr. Edwards.

Q.—Where is the ledger? A.—We have just sent for it, it is down at the hotel.

Q.—We will leave that until the book is here.

MR. LUSCOMBE: Could not we deal with it now without going into the book? It is not satisfactory to Mr. Edwards, and we might as well face that fact.

MR. TILLEY: The book does not necessarily need to be to the satisfaction of Mr. Edwards, if it is to the satisfaction of the Order that is all we can ask. We can only examine as to its contents and conditions, it is not for us to say the books must be kept differently.

MR. LUSCOMBE: With regard to that Mr. Edwards did make some recommendation with regard to the ledger, and Mr. Fitzgerald supposed he had carried these recommendations out. When Mr. Edwards saw the ledger last night at London he said that it was not put in the shape he desired. We are quite willing to put the ledger into any shape that may be desired by Mr. Edwards on behalf of the Commission, and in order to do that however it will be necessary for us to have an enlargement so far as the ledger is concerned. So far as our general examination of Mr. Fitzgerald is concerned we are quite ready to go on with.

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MR. TILLEY: I suggest we go on for a time at any rate until we get the book here.

JUDGE MAC TAVISH: Yes.

MR. TILLEY: Q.—Is this pamphlet the first edition of your by-laws and constitution? A.—Yes.

Q.—That is the constitution as it existed in 1893? A.—Yes.

Copy of Constitution as it existed in 1893 filed as Exhibit 513.

Q.—This will be a copy of your by-laws as they stand to-day? A.—No, this is as they stood in 1904. There was a revision this year, 1906, a slight revision, not any material changes.

By-laws as of 1904, filed as Exhibit 514.

Q.—There have been some amendments made to these by-laws since? A.—In 1906.

Q.—Have you the book here which shows those 1906 amendments? A.—I think I have the 1906 amendments with me.

Q.—Will you produce them? A.—Yes; these are the amendments.

Q.—First say the number of the by-law that has been amended? A.—The first one is number 112.

Q.—And the others that have been amended are 114, 116, 119 and then there is a general confirmation of the by-laws as they then stand? A.—Yes.

Amendments to by-laws filed as Exhibit 515.

WITNESS: The by-laws have not been re-printed since those amendments took place?

Q.—You have printed merely a slip to show the amendments? A.—Yes.

Q.—When were these amendments made, at some meeting of the Head Camp? A.—Last March.

Q.—Not by the Executive? A.—No.

Q.—And that involved some change of rate, did it? A.—That involved a rate for a \$250 policy; it did not change the other rates at all.

Q.—By your original Act of 1893 the subjects there set out were four: First, to unite its members in social and fraternal bonds; second, to collect and distribute charitable donations; third, to make with its own members contracts for insurance in sums not exceeding \$3,000 payable on the death of the insured; fourth, to erect a monument over the grave of each deceased member.

Q.—Then by the amending Act of 1904, which you spoke about when you

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were previously examined, the addition was made of a clause which was lettered C. "To establish and administer a fund for the payment of sick and funeral benefits?" A.—Yes.

Q.—So that the objects as they now stand comprise these four matters? A.—Yes.

Q.—The provision as to the erection of a monument over the grave of each deceased member provided that the monument should be worth how much money originally? A.—\$100, not less than that.

Q.—Was that taken into account as part of the insurance benefits that he received under his policy? A.—Yes.

Q.—It was estimated as an expense the society would have to bear as the return for the premiums it received? A.—That is it.

Q.—What was the rule as it originally existed with regard to cases where a monument was not required or desired? A.—The rule was to transfer the \$100 to the expense fund.

Q.—That was not the original rule? A.—No.

Q.—I am asking you now what the original rule was that governed that? A.—It just lapsed into the Insurance fund.

Q.—That is if the family of the deceased member did not desire the monument there was no provision whereby the cash value of it, \$100 will be paid? A.—No, none.

Q.—Did the society at any time permit that to be paid either as a matter of course or because it thought it proper in a particular case? A.—Never, they never paid the money except—

Q.—There are references from time to time for applications for the money? A.—Except in some cases where the members had already monuments erected, the Order has paid to the beneficiaries an amount in lieu of the monument.

Q.—That is to say where it was a case of the member having made that expense himself? A.—Yes, erected a monument in his life time.

Q.—You would, as it were, return to the beneficiary the money that had been paid in that way? A.—Yes.

Q.—Was that a uniform rule? A.—No. I think each case was decided on its own merits.

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Q.—Each case would be dealt with as it came up? A.—Yes.

Q.—And you never felt yourselves bound by precedent? A.—None.

Q.—If a monument was erected did it always cost \$100? A.—The Order never allowed anything unless it was of the value of \$100, in the first place at least.

Q.—In order to become entitled to that contribution a monument must be erected costing \$100 or over? A.—Yes.

Q.—And in no case did the society ever pay part of \$100 instead of the whole, where the beneficiary would be satisfied with a cheaper monument? A.—We have paid less than \$100.

Q.—Under what circumstances would you pay less than \$100? A.—In cases where the Order would put the inscription on the monument themselves, they would possibly take out the cost of putting the inscription on, and paying the difference to the beneficiary.

Q.—Is that a rule? A.—No, there is no rule at all.

Q.—I want to know from you whether there is any saving in respect of that item? A.—Very little.

Q.—Is there any account of it kept? A.—An account of the savings of each of these?

Q.—Yes? A.—No, none.

Q.—No account in your books that would indicate that? A.—No, it just remained in the insurance funds, it was never taken out.

Q.—It remained as one of your assets, because you have not paid it out? A.—No.

Q.—But you do not show that in your books? A.—No.

Q.—When a member dies is any entry made in your books with respect to that \$100 item at the time he dies? A.—As soon as the claim is settled, the original claim, there is \$100 transferred to the monument account.

Q.—So that the claim papers being completed and the claim on the policy I suppose paid then you make a transfer from your insurance fund to a monument fund? A.—Yes.

Q.—Of \$100 for each member? A.—Yes.

Q.—That is done without regard to whether the beneficiary desires a monument or a contribution towards a monument or not? A.—That is it.

Q.—Then tell me when the monu-

ment account was opened up? I

think about three or four years ago.

Q.—There was a provision made in the amendment of the by-law number 44 in the year 1900 that a monument account should be opened and transfers made to it, I suppose that is the time? A.—That is the time.

Q.—Before that date, as I understand it, there would be no entry in your book at all unless there was a cheque paid out by way of contribution to a monument? A.—Unless there was a cheque paid out.

Q.—Failing the payment out of any money the society was just that much better off in its insurance fund account? A.—Yes.

Q.—Had so much more money with which to meet its obligations under its policies? A.—That much ahead.

Q.—Tell me what the object was of opening this monument account? A.—I think it was to keep track of the payments against the monument.

Q.—You think it was for the purposes of showing the receipts and income with respect to that item of the society? A.—Yes.

Q.—So as to show whether there was any gain or saving to the society in respect of it? A.—Yes.

Q.—Was that the real object or— A.—That was a matter of bookkeeping of course.

Q.—That was purely a matter of bookkeeping? A.—Yes.

Q.—Was it not for the purpose of passing some money out of the insurance fund into the expense fund? A.—No.

Q.—Tell me how you treated that account, if there was a balance there? A.—In what way?

Q.—Supposing the beneficiary did not desire a monument, a saving of \$100 would be left in that account, what would you do with it? A.—It would be transferred to the expense account.

Q.—Had any moneys been transferred from the insurance fund to the expense fund before that account was opened in respect of that item? A.—In respect of monuments?

Q.—Yes? A.—Yes.

Q.—You had made transfers? A.—Yes.

Q.—I thought I asked you whether you had in any way entrenched upon that insurance fund with respect to that item before and I thought you said not? A.—I did not understand you if I did.



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Q.—We understand each other now; then there was no change in your method of treating of any moneys that were not paid out in respect of the monuments either after the amendment in 1900? A.—None.

Q.—It had been going to the expense account and still went to the expense account? A.—Yes.

Q.—Then it is proper to say that there could have been no discussion at that time about the necessity for getting more money in the expense account? A.—None.

Q.—Well, you have had some discussions from time to time as to the necessity of taking some of your funds for the purposes of expenses, have you not? A.—Some of the beneficiary funds?

Q.—Yes? A.—None, except—

Q.—Except what? A.—Except in some particular cases where the monument would be transferred to the expense fund.

Q.—You have told us about that? A.—Yes.

Q.—Then in Section 3, declaring the objects, your insurance was limited to \$3,000? A.—Yes.

Q.—Has that always been observed? A.—Always.

Q.—No insurance has ever been issued for more than that amount? A.—No.

Q.—By Section 10 it was provided in the original constitution that your meetings should be annual? A.—Yes.

Q.—Section 10, "regular meetings of the Head Camp are to be held annually on the 3rd Wednesday in February as provided by the Act of Incorporation at such places in Canada and at such hours as such Head Camp may from time to time determine." That is in your by-law? A.—Yes, that is in the original by-law.

Q.—The Act covers the same thing, in Section 12, "a meeting of the representatives of the order in the Head Camp shall be held on the 3rd Wednesday in February in each year at such place in Canada as the Head Camp may from time to time determine, at which meeting a statement of affairs of the Order shall be submitted." The Act of Incorporation is in the front of each of your printed books of by-laws? A.—Yes.

Q.—Have you any extra copies of this here? A.—Of the old ones?

Q.—Yes? A.—No, I have not. I have of this one.

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Q.—Has that provision in the Act and also in the by-law been observed? A.—Always observed.

Q.—Did your society at any time, make any change for the purpose of complying with the Act, but still not going to the expense of holding a regular meeting? A.—Yes.

Q.—What change was made? A.—Of course it always provided the Annual Meeting should be held just the same. I think it was in 1898 or 1896. I am not sure of the date.

Q.—I think I can give you the date. That would be 1900, I think? A.—It was in 1898.

Q.—Was it 1898? A.—Yes, 1898.

Q.—I see there is a reference to it in the 1900 book. It was repeated there probably? A.—It would be repeated in 1900.

Q.—Is that in that one? A.—Yes, it is in this one, 1898.

Q.—Then in 1898 the change was made, and does it stand the same way now? A.—The same way, now.

Q.—The change was effected by providing that the Head Camp should meet in odd numbered years in the city of London and those meetings were to be called statutory meetings? A.—Yes, statutory meetings.

Q.—Then in the even numbered years in such places in the Dominion of Canada as the Head Camp shall from time to time determine, and these meetings shall be called legislative meetings? A.—Yes.

Q.—So that you divided your meetings into statutory and legislative? A.—Yes.

Q.—The idea being that the statutory meeting was a strict compliance with the Act? A.—Yes.

Q.—And your by-law? A.—Yes.

Q.—And the legislative meetings would be your real meeting to transact business? A.—That would be meetings to legislate and elect officers.

Q.—What is done at the statutory meetings? Do you convene, have delegates? A.—Oh yes, convene and notices are sent out in the usual way.

Q.—The meeting is called in just the same way as the regular meeting was before the change was made? A.—The same way exactly, the notices were sent to all the representatives, a month's notice.

Q.—Do any delegates attend? A.—Yes.

Q.—Do they get their expenses? A.—No.

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Q.—You have provided that any delegates attending that meeting shall not be re-imbursed their expenses? A.—No.

Q.—I suppose that has the effect of keeping many away who would otherwise come? A.—The meetings are not so largely attended.

Q.—Do you transact any business at all at those meetings? A.—Simply submit reports.

Q.—Do you in any way discuss changes in the constitution and by-laws? A.—No.

Q.—Is there anything in your by-laws that you cannot at those meetings make any changes? A.—Yes.

Q.—What? A.—It is provided for under the heading Amendments, I think you will find it. Look at 131.

Q.—That is the by-law that has been added then since the original by-laws of 1893? A.—Yes.

Q.—131 reads "After these by-laws shall have been finally passed and approved they shall not be altered." (Reads). Then is that the only provision? A.—130, "any of the by-laws of the Order may be amended, altered, repealed or added, and new by-laws enacted at any legislative or special meeting of the Head Camp."

Q.—And then you have an additional sub-section to that section 130 providing that all by-laws as amended, altered or added to shall apply to every member of the Order whether his policy was issued before or after such amending or new by-law? A.—Yes, it would apply to members of the Order who were in before the amendment was made as well as after.

Q.—Will you say if there was any object of doing away, as it practically does away, I suppose, with one meeting every other year? Anything besides expense? A.—I think that is the principal thing, yes.

Q.—It was a matter of reducing the expenditure, and feeling, possibly, that a meeting every year was not really necessary? A.—Well, altering by-laws every year was not very satisfactory. There is an uncertainty about how the matter stands when by-laws are altered frequently.

Q.—Then the rule against altering the constitution and by-laws—you transact any other business that may come up before that statutory meeting, do you? A.—Yes, any business may be transacted at the statutory meeting, except amending the by-laws and election of officers.

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Q.—In the Act of 1904 that you obtained I see that there is nothing said there which sanctions your division of meetings into statutory or legislative? A.—No.

Q.—Did you consider the advisability at that time of making the meetings biennial instead of yearly? A.—At the time this amendment was made?

Q.—Yes, in 1904? A.—Yes, I think it was considered before that.

Q.—But when you were getting the new Act did you consider the advisability of amending your old Charter in that respect? A.—No.

Q.—And possibly you would not consider it advisable anyway? A.—We did not consider it advisable any way. We thought it should be an annual meeting. The General Act provides for an Annual Meeting.

Q.—Quite so, but I was asking whether you thought of amending the General Act when you got your Amending Act? A.—No, we did not consider that.

Q.—Has any proposition been made to make the legislative meetings triennial instead of biennial? A.—I do not think so.

Q.—No discussion of that at any of your meetings? A.—I think not, not to my recollection.

Q.—Then by Section 20 of your by-laws you have provided for the fees to your members attending and as to quorum. That would be 20 or 21. One-fifth of the members of the Head Camp shall be a quorum for the transaction of business, and 21 provides that the number of members attending the Head Camp shall receive \$2 a day for attendance, including the time necessary to reach and return from the meeting, and in addition mileage at the rate of 5 cents a mile, one way by the nearest practicable route. That was the provision in 1893 without any limit as to the amount that would be paid under that section? A.—Yes.

Q.—Since then you have put a limit on it, have you not? What is the limit? A.—\$15, I think, is provided for in by-law 21.

Q.—By-law 21 has had the provision inserted that no member under this section shall receive more than \$15? A.—Yes.

Q.—Can you say what effect that change had financially? A.—In dollars and cents?

Q.—Yes, approximately? A.—It has saved a few dollars, not very much.

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Q.—What do your Annual Meetings cost at the present time? A.—Well, the last one cost \$1,926—over \$1,900 anyway. I think it was \$1,926.

Q.—Is that as high a cost as any of your past meetings? A.—This is the highest.

Q.—That is the highest cost you have made yet? A.—Yes.

Q.—What was the amount that you had paid to any member. What was the maximum you would have paid to any member before the \$15 was established? A.—To any Ontario member?

Q.—Well, to any member who would attend your Annual Meeting? A.—I think we paid as high as \$100 to a British Columbia man.

Q.—That is to say persons coming from British Columbia get mileage at 5 cents a mile from British Columbia? A.—No, it was not reckoned in that way. There is a special provision here for payment of delegates outside of the Province of Ontario.

Q.—Then that \$15 rule does not apply to any such delegate? A.—Not to members outside of the Province of Ontario.

Q.—What was the maximum you would pay to any person in Ontario? A.—\$15.

Q.—Before the \$15 rule? A.—I do not remember any case where we paid more than \$15.

Q.—Even before the amendment? A.—Most any man can come from any part of Ontario to a central point for that, at \$2 a day, unless he stayed too long.

Q.—How long do your meetings usually last? A.—About two days. The meetings themselves. The actual meeting about two days.

Q.—Then in sections 40 to 44 of your by-laws you have provisions as to the powers of the Executive. Your Act gives you no specific right to delegate the functions of the Head Camp to the Executive, does it? A.—I think not.

Q.—Has any question ever been raised as to your right to do so? A.—No, none whatever.

Q.—Section 40 provides, "The Executive Council shall have all the powers, except while the Head Camp is in session, and absolute original and appellate and final jurisdiction of the Head Camp, and all such powers and jurisdiction as are hereby conferred upon the Executive Council." That was the way it stood originally. You made some amendment to that, did you not, whereby you excepted the power of legislation? A.—Yes.

Q.—Before that amendment was passed, did the Executive legislate? A.—They might have in one or two isolated cases.

Q.—Would they take it on themselves to change the by-laws? A.—Well, in a minor way.

Q.—That is to say they used their own discretion as to whether the proposed amendment was so unimportant that they might deal with it, rather than leave it for the Head Camp? A.—I think cases came up where it was thought advisable to make a slight amendment; for instance the adding of an occupation to the hazardous by-law, declaring a certain occupation hazardous, or something like that.

Q.—They would assume the right to do that? A.—Yes. There were so very few in it long ago I cannot recollect any particular case.

Q.—Under your by-laws as they now stand, would you consider they have a right at the present time to do that? A.—To legislate?

Q.—Well, for instance to add some occupation to the hazardous list? A.—I think that is specially provided.

Q.—Otherwise you would say they would not under this general rule? A.—Yes.

Q.—Then the provisions as to your funds are contained in sections 44 to 49 of your by-laws, and 49 is the section that guards the insurance funds? A.—Yes.

Q.—It provides that all moneys derived from assessments as hereinbefore provided, except the assessment for the Emergency Fund, and shall be known as the Insurance Fund. No claim shall be paid from this fund except death losses and payments for monuments and re-payments to the Emergency Fund. Now, do you understand that provision against the payment of any claims of that fund, except for death losses or for monuments to prohibit you from using that fund for any purpose except to pay death losses? A.—That is it.

Q.—And for monuments? A.—Yes.

Q.—There has never been any discussion as to the meaning of the word or the force of the word "claim" there?—"No claim shall be paid?" A.—No.

Q.—It has been assumed to mean that nothing shall be paid? A.—That is it.

Q.—Except the specified matters? A.—Yes.



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Q.—Then if you take from that Insurance Fund moneys and transfer them to a Monument Fund, and then take the money from the Monument Fund to the Expense Fund, are you not using Insurance Funds for general expenses? A.—Well, that is provided for, I think, here.

Q.—Where is the provision for that? A.—That when a monument is not claimed within a year.

Q.—Where is it? A.—I do not see it just now, but that is the case.

Q.—I wish you would get it for me if there is any such by-law, I have not noticed it if there is? A.—It is one of the later by-laws.

Q.—There is a provision that no action shall be brought against the Society for any benefits, unless the claim is made within a year? A.—Within a year after death.

Q.—Was that the by-law you were thinking of? A.—No, I think not.

Q.—The by-law I have just referred to was by-law 120 and the provision at the end of it is "no action shall be brought against the Order by any beneficiary or claimant under any policy unless the same is commenced within the term of one year next after the death of the assured. That was passed for what reason? A.—That was to make it certain as to when our liability ceased on a claim.

Q.—Why should it cease within any particular period? Supposing a policy becomes a claim, why should your liability on your policy not continue until it is paid? A.—I think there was a difference of opinion as to that, as to what the reason was.

Q.—What have you to say about it? What was the reason that prompted the Order to make that amendment? A.—I think the reason that prompted the Order was to fix the period of our liability on each claim. It was thought reasonable that if anybody wanted a claim paid that they should at least make it within a year. It has never been taken advantage of.

Q.—Had any claim been made at the expiration of a longer period that caused you to make this change? A.—No, I think not.

Q.—Was it made because of any difficulty in any particular case? A.—No, most other societies have a similar provision, otherwise we thought we would be holding it over, the liability, for six years probably.

Q.—Unless it was paid? A.—Unless it was paid.

Q.—Then 45a says "All moneys derived from assessments as hereinbe-

fore provided, except the assessment for the Emergency Fund and the percentage set aside for the Investigation Fund, shall be known as the Insurance Fund. No payment shall be made from this fund except for death claims and payment to Monument Account and re-payments to the Emergency Fund." Then it goes on to provide that any unpaid moneys from monuments can be transferred to the Expense Account, so that to that extent your by-laws provide for the taking from the Insurance Fund moneys that ultimately go into the Expense Fund? A.—Yes, sir.

Q.—Now, is there any other provision in your by-laws whereby money is taken from the Insurance Fund, and carried either directly or by any longer route, into the Expense Account? A.—There is a provision in the by-law for the Investigation Fund.

Q.—When was that provision put in? That was not in the original by-laws? A.—No, I think that was about four years ago, in 1902.

Q.—The Investigation Fund was established in 1902? A.—Yes.

Q.—Why was that fund established? Just to create more money for expenses? A.—No, because that fund was used for special purposes.

Q.—What special purposes was it used for? A.—Investigating claims, guarding the Insurance Fund.

Q.—Do you keep it separately in your books? A.—Yes.

Q.—It is supposed to be used to investigate doubtful claims, to defend suits and to investigate acts of members. What is meant by the expression "to investigate acts of members?" A.—I suppose an example would be a member who possibly was breaking the by-laws—loose in his habits, and so on.

Q.—Sort of Secret Service Fund? A.—Yes.

Q.—To be able to make inquiry regarding the habits of any member of the Order, to ascertain whether he is violating any of the obligations that he assumed? A.—Yes. That of itself would be a protection to the Fund.

Q.—Have any moneys been used out of that fund for any purpose that does not come directly within one of those three headings? A.—No.

Q.—Have any moneys been paid to you out of that fund? A.—Personally?

Q.—Yes? A.—None.

Q.—None have come to you at all? A.—No. Except possibly I think, there were one or two disbursements

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in a suit, or something like that. That would not come directly to me, though.

Q.—You say it did not stick, at any rate? A.—No, it did not stick.

Q.—It was only passed on? A.—Yes, there were only one or two small items that were paid to me from that. It did not stick long.

Q.—There is no provision in your Act of Incorporation, either in the original Act or the amending Act, which requires you to maintain that Insurance Fund and not use it for expenses, is there? A.—No sir.

Q.—Do you keep the Insurance Fund and the other funds in different bank accounts? A.—No, all together.

Q.—Your expense moneys are in with your insurance moneys? A.—Yes.

Q.—If you use more for your expenses than you should properly use, it does not overdraw your bank account, does it? A.—No.

Q.—There is no financial arrangement that must be made in order that you may do that? A.—No.

Q.—Do you ever pay out more money on expense account than you have to the credit of that account? A.—Oh yes.

Q.—You do that? A.—Oh yes.

Q.—Have you any account in your books that shows where that money comes from for the expense account in such a case? A.—We have our books kept in three accounts, you know, in three funds, Insurance Fund, Emergency Fund and Expense Fund. If there is more withdrawn from the Expense Fund than there is in the Expense Fund, it shows it there.

Q.—How long have you been keeping the 3 accounts separate? A.—Always.

Q.—And you say from the way your books have always been kept it would indicate whether you were paying out more from a certain fund than you had to the credit of that fund? Then to what extent have you been paying money out of the expense fund and nothing there to its credit? A.—Not very much.

Q.—Is that continuous? A.—No.

Q.—Is that the condition at the present time? A.—No. We have always squared the insurance fund—at least we have always squared the expense account by borrowing from the bank and owing to the bank.

Q.—You have always squared the expense account by making a loan from the bank and then owing the

bank for the money? A.—Yes, owing the bank for the money and always keeping the insurance money intact.

Q.—How would you put through such a transaction as that? Would you give a note to the bank? A.—Give a note.

Q.—Do your books show the notes you have given? A.—Yes.

Q.—In an account? A.—Yes.

Q.—Has the bank any note at the present time? A.—Yes.

Q.—How much is the note at the present moment? A.—\$4,000.

Q.—How long has it been \$4,000? A.—For some time.

Q.—Have you any books here that will show the history of your dealings from the bank or is that in the book you have not brought with you? A.—Well, that is in the book I have not here.

Q.—We will be able to have that after the adjournment, of course? A.—Yes.

Q.—Then you might go this far in the meantime; has there been a continuous borrowing from the bank for expense purposes? A.—Yes.

Q.—Since when? A.—Well, we borrowed to start on.

Q.—And is it fair to say that you have been borrowers from the bank ever since? A.—Yes.

Q.—And the amount gradually increasing, is it, or— A.—Decreasing. We could have paid it off any time, but it was thought wise not to.

Q.—Out of what? A.—Out of the Expense Fund.

Q.—How can you pay it off out of the Expense Fund? A.—Well, by reducing the expenses of organization.

Q.—By saving? A.—Yes.

Q.—But it was not thought worth while? A.—No, it was thought better to use the money for extending the Order.

Q.—Getting new business? A.—Yes.

Q.—And I suppose that has been regarded as very necessary by those in the management of the Order, has it not? A.—Yes, quite necessary.

Q.—Why do you say it is quite necessary? A.—Well, I think it is in the interests of any insurance institution to secure new business.

Q.—And very much so in the case of a society carried on on the principle in which yours is? A.—Yes, and any other insurance institution.

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Q.—We will take that up when we are discussing the rates and the changes in the rates that you have made. Now, have you told me of the only means by which you have overstepped your expense account? A.—I think so.

Q.—You have not borrowed outside of the bank? A.—No.

Q.—And you have not carried it on when you have not had the funds there, either by way of borrowing from the bank or in the regular way from your members. You have never had it as you would call, an over-drawn account? A.—Never.

Q.—When a note would be given to the bank the money would then be passed to the credit of the account? A.—Yes, sir.

Q.—But that would go in with your insurance moneys? A.—It would go in with the general bank account.

Q.—Would you give the bank a note when there was money to your credit in the bank account? A.—Oh yes.

Q.—So that notwithstanding you had funds there, from one source or another, you would go to the bank and give a note unless you had funds to the credit of the expense account? A.—We have always protected the Insurance Fund.

Q.—I did not just know the force of the word "protected?" A.—We might have had \$25,000 or \$30,000 on hand and still would renew the note.

Q.—And what would you pay on the note—what rate of interest? A.—5 per cent.

Q.—And what rate of interest would you get on your money? A.—On deposit?

Q.—Yes? A.—Three.

Q.—So that the financing of it that way would cost you 2 per cent.? A.—Yes.

JUDGE MAC TAVISH: Q.—I do not quite catch what your idea of it is? A.—Of borrowing and having money?

Q.—Yes, where is the benefit and to whom? A.—Well, to keep the expense fund—to make it look after itself and protect the other fund, keep the other fund always intact.

Q.—The money you have on hand does not belong to the Expense Fund? A.—No, it belongs to the Insurance Fund, and rather than draw upon the Insurance Fund we borrow money.

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MR. TILLEY: Q.—That was entirely a matter of book-keeping, was it not? A.—Yes.

Q.—Your funds were all there in a common account, and if the society incurred any liabilities there is nothing to prevent the moneys being applied for any purpose under your charter, that common fund would be liable for any of your obligations? A.—I presume it might.

Q.—Either by way of expense or by way of insurance or any other matter? A.—As far as the public is concerned I do not suppose they know any different.

Q.—And your idea was that it would be better for the society to keep the account in its books always, so that it had receipts to show for the expenditures paid out? A.—Yes.

Q.—Was that done with the object of being able to assure the members that you had never paid out any moneys for expenses unless you had the money in hand to do it? A.—I think the object was to carry out the provisions in the by-law.

Q.—Has it not been necessary to be able to say that to the members, or considered advisable to be able to tell the members that you have never used money for expenses unless the expense fund had the money to its credit? A.—No, I do not think that has ever been considered. It is quite proper, though, it is quite true.

Q.—Then in the original by-laws of 1893 you added to section 8—the following, "Camps may provide and pass by-laws for their government and direction, provided such by-laws are not inconsistent with these by-laws or the Act of Incorporation." Then it goes on to say "No such by-laws shall be valid unless and until approved by the Head Consul Commander and duplicate copies of such by-law when finally passed by the Camp shall be certified under the Camp Seal and forwarded to the Head Clerk." You are the Head Clerk? A.—Yes.

Q.—Is that provision still in existence? A.—Yes.

Q.—And no by-laws may be passed by local Camp without the approval of the Head Consul Commander? A.—Yes, that is right.

Q.—Who is the Head Consul Commander at the present time? A.—Mr. Cecil Hodgins.

Q.—Is he here? A.—I do not see him here now, but I expect him here.

Q.—He is in the city? He is the Head of the Order? A.—Yes.



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Q.—What is the object of providing that local Camps must have their by-laws approved by him? A.—I do not know the original intention of putting that by-law in, I suppose it would be to create uniformity and to see, possibly, that no ridiculous by-laws should be passed by the Camps.

Q.—Has he ever vetoed any by-laws? A.—I think he has.

Q.—Is that a matter of frequent occurrence? A.—No.

Q.—Is there a record of his action in that regard in the minutes? A.—Not in the minutes of the Head Camp nor of the Executive.

Q.—Not in any minutes you have? A.—No.

Q.—Or that you have supplied to us? A.—He keeps a minute of his own of different transactions.

Q.—Do you happen to know whether he has that book with him? A.—I think I have it here.

Q.—We will be able to get information from him on that? A.—Yes, there are very few cases, though.

Q.—Then Section 84 in the original provided for the method of dealing with funds in local Camps I suppose? A.—Yes.

Q.—It says, "The assessment collected by the Clerk shall be by him from time to time paid to the banker. As soon as the assessment clerk receives from the Head Clerk a call for the payment of an assessment he shall procure," (reads down to the words "in regard to the amount thereof"). How often are moneys from the local Camps transmitted to you? A.—Every month.

Q.—With a statement showing how the amount is made up? A.—Yes.

Q.—Then you deposit that in your bank account in London? A.—Yes.

Q.—Did you keep the Emergency Fund along with the Insurance Fund in the bank? A.—Yes, it is the same thing, except the Emergency Fund was the first assessment paid by a new member.

Q.—One assessment is passed to the Emergency Fund? A.—Yes.

Q.—That is what you would otherwise call a reserve fund? A.—A reserve fund.

Q.—That fund can only be used when there are no moneys available in the Insurance Fund to pay a claim? A.—That is all.

Q.—So that in that way it is really part of the Insurance Fund? A.—Yes, it is really an assessment the same as the rest.

Q.—By 98 in the original you had a provision that if any member should

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become engaged in any of the above occupations—which were the occupations you would call hazardous occupations were they? A.—The "above" might be prohibited occupations.

Q.—This would be the prohibited class? A.—Yes.

Q.—"After his admission to the Order, his policy shall thereby be and become void." Would you look at 97 and tell me whether they were absolutely prohibited or merely hazardous occupations—brakeman of railway freight trains, sailors, raftsmen, etc. (Exhibit 513.)? A.—Those are prohibited.

Q.—Are they prohibited still? A.—Well, generally they are. There have been some added to that, and some eliminated probably. Yes, it is practically the same.

Q.—Then the provision was that unless he should notify the Clerk of the Camp to which he belongs, and pay with such notice and assessment larger by 10 cents than the last assessment paid by him, and unless he shall continue to pay such increased assessments—(reads). That is to say you would not take as members any persons following those occupations? A.—No.

Q.—But if a person following some other occupation joined your Society and afterwards changed his occupation to one of these, you would let him continue a member, and get his benefits by paying the extra assessment? A.—Not now. That part of that by-law has been amended. The policy is actually cancelled now.

Q.—But, at that time? A.—Yes, at that time.

Q.—At that time by paying the increased fee he could continue? A.—Yes.

Q.—If he did not notify the Secretary and pay the additional fee his policy would lapse? A.—Yes, technically so.

Q.—Do you mean by that that on application the time would be extended? A.—Oh, it might be considered.

Q.—That was not a rule then that was lived up to and strictly enforced? A.—It was pretty strictly enforced.

Q.—But some exceptions were made? A.—The payments were small and it was carried out as far as possible.

Q.—You say that section has been amended. How has it been amended? A.—It stands now that the policy is cancelled. There is no provision at all for payment.

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Q.—Where is the same provision in the present rules? A.—I think you will find it under that provision. The policy is cancelled unless he has been in for five years. The provision is in 1898.

Q.—97 sets out what the prohibited occupations are at the present time? A.—Yes.

Q.—98 says "If any member" (reads rule). Then he shall furnish evidence as to the nature and effect of such occupation and certain medical certificates and so on. Then does the by-law itself provide the additional payment to be made, or is that discretionary? A.—That is discretionary.

Q.—The Head Consul Commander would be entitled to decide that? A.—To fix the amount.

Q.—He would obtain evidence as to the nature of the employment and health certificates and so on, as the result of medical examination, possibly, and then he would fix the terms on which he could be entered in the other class? A.—Yes.

Q.—Would that be dealt with by the Head Consul Commander, without consultation with any person? A.—Well, he usually referred the examination to the Head Office.

Q.—Having got his report, then what I ask is, would he deal with the other matters entirely himself, without consultation? A.—Yes, he is often consulted—

Q.—He would consult when he desired to do so? A.—Yes.

Q.—But he would be at liberty to deal with it himself? A.—Yes.

Q.—Then there is the usual provision as to members being required to exhaust all the means of redress by the Local Court of the Order before appealing to the Courts of the country? A.—Yes.

Q.—Before leaving that clause 98, have you not in effect divided these occupations which were originally prohibited into practically two classes, one prohibited and the other extra-hazardous? A.—There has been a number of changes. There has been a change, prohibited to extra-hazardous, and specially hazardous. There is a specially hazardous clause now referred to in 99.

Q.—That is what I was referring to as extra-hazardous. Then in 100, at the present time, it is provided that the insurance shall continue if there is a change to this extra-hazardous occupation with an additional premium? A.—Yes, to the extra-hazardous.

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Q.—With an extra payment of 20 cents for each \$500 of insurance? A.—Yes, 20 cents per month.

Q.—And the policy does not become void? A.—No.

Q.—In the one case it becomes void unless some arrangement is made with the Commander? A.—Yes, unless permission is given in terms.

Q.—And in the other case it works automatically, with a higher premium? A.—Yes. In the specially hazardous case, it is bigger, I think double.

Q.—Then 112 deals with the rates, but I will take that up as a separate matter. In 115 at the present time it is provided that every member before receiving his policy shall pay to the Clerk of the Camp of which he is a member within 30 days after he is initiated one assessment, at the rate as hereinafter fixed, and a per capita tax. What is the per capita tax? A.—It is a payment of 15 cents per month, per member per head.

Q.—To whom is it paid? Is it paid to you? A.—It is paid originally to the Local Camp.

Q.—Does it get to you, or is it a fund that remains with the Local Camp? A.—Oh, no, it goes to the Head Camp.

Q.—It is a payment of 15 cents per month? A.—Yes.

Q.—Per member? A.—Yes.

Q.—Regardless of the amount of insurance? A.—Regardless of the amount of insurance.

Q.—And regardless of age? A.—Regardless of age. It is a per capita payment.

Q.—Does that go into the Insurance Fund? A.—No, that belongs to the Expense Fund. That is the principal composition of the Expense Fund.

Q.—What else goes to make up the Expense Fund? A.—Certificate fees, supplies—sale of supplies.

Q.—On which there is a profit? A.—On which there is supposed to be a profit; and changing policies, and every receipt that goes into the Expense account, but the per capita tax is the principal part of the Expense Fund.

Q.—Then are your policies incontestible after a lapse of a certain time? A.—After the lapse of a year.

Q.—They are incontestible except on— A.—Fraud.

Q.—Except on certain specified matters? A.—Yes.

Q.—That is covered at present by 122? A.—That is covered by 122.

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Q.—And then 116 provides for the proof of death and age and identity and so on? A.—Yes.

Q.—And these are the papers that you require the beneficiary to take out, are they? A.—Yes.

Q.—That is a complete set? A.—Yes.

Q.—You have only the one form of policy? A.—One form of policy. We have changed this declaration of the local physician some, but not materially, asking a few additional questions. (Papers Exhibit 516.)

JUDGE MAC TAVISH: Is the form of policy attached to that?

MR. TILLEY: No, it is not attached. I will put that in. I have some questions to ask on that.

Q.—Is there any power in your Executive Council or any of the officers of the Society to cancel the policy? A.—I think that is referred to in 124.

Q.—In subsection (a) "The Head Consul Commander may at any time within one year from the date of any policy by writing under his hand and seal of the Order cancel the same for non-compliance by the holder thereof, of any of the by-laws, rules and regulations relating to membership or the conditions of membership." (Reads down to the words "of any such policy.") I suppose you have no record, or have you, of policies cancelled under that section? A.—I do not think we have cancelled any.

Q.—But if you have you have no record of it? A.—No, if we had we would just write it off as cancelled.

Q.—The Commander is the only person who can say definitely whether he has cancelled any or not, I suppose? A.—Yes. Oh, possibly, I could say better than he can.

Q.—And you say there are none? A.—I do not think there are any.

Q.—No action has been taken under this section at all? A.—No, not according to my present recollection.

Q.—Then in 127 as it now stands, you set out the proceedings to pay the claim. "The money will be forthwith paid if the claimant is entitled to give a release." I suppose that means the status of the applicant? A.—Yes, if the claimant is an infant there would have to be a guardian appointed, or some other method adopted.

Q.—Then it provides "that the claim, or so much thereof as has been made out of the Insurance Fund, shall be paid out of the Emergency Fund, if the same be sufficient, and if the Em-

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ergency Fund is not sufficient, the Executive shall make such call upon the members of the Order to raise the amount payable." So that before any call is made the Emergency Fund and the Insurance Fund must be exhausted.

Q.—There is no power to make a call prior to these funds being exhausted? A.—No.

Q.—In contemplation of their being exhausted? A.—I would not say that. The by-law giving the Executive their powers might be sufficient to do that.

Q.—You think there might be some power in the Executive to do that, but there is nothing expressed about that, outside of this section? A.—I do not know that my interpretation of that is correct. It is a pretty wide power there.

Q.—I see that in 1900 you had a provision that all your investments must be in trustees securities only. Is that still in force? A.—Yes sir.

Q.—What do you invest your moneys in? A.—Debentures and mortgages.

Q.—Principally in debentures and mortgages on land? A.—Yes, first mortgages on real estate.

Q.—In Ontario? A.—In Ontario.

Q.—Or in the North-West? A.—We have not invested any outside of Ontario.

Q.—And your main investments are in the shape of debentures? A.—Debentures.

Q.—Probably we will take that up better when you have the book here. Just let me ask you now—I should have asked you before. To what fund do you credit the interest on your insurance moneys? A.—To the Insurance Fund.

Q.—Does it go as an accumulation to the Insurance Fund, or do you carry that to your Expense Fund? A.—It is added to the Insurance Fund.

Q.—Has it always been done that way? A.—Always.

Q.—There has never been any carrying of interest on Insurance Fund to the Expense Account? A.—Never, not a cent. We always considered that the fund would earn the interest.

Q.—That it was entitled to it? A.—Entitled to it.

Q.—Then the Investigation Fund that you spoke of was passed in 1902. Do you admit ladies into your Society? A.—Yes.



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Q.—When was that decided upon?

A.—I think that was decided in 1902.

Q.—And rates were established for that? A.—Yes.

Q.—Not the same as the rates for men? A.—No, slightly in advance. I think 10 cents on assessment right along.

Q.—Just an increase of 10 cents? A.—Yes.

Q.—Then in 1904 you obtained the amendment giving you power to carry on the Sick and Funeral work? A.—Yes.

Q.—Had you been considering the advisability of asking for that power for some time? A.—I think it was discussed at Head Camp several times, perhaps three or four times before that.

Q.—Was it thought to be a desirable move on the part of the Society? A.—Yes.

Q.—For what reason? By way of competition with others, do you mean? A.—Competition with others and also to provide our own members with Sick Benefits if they require it, without having to go elsewhere for it.

Q.—It was at one time thought that it might be well to enter into some arrangement with some other Society, to have that Society give you members sick and funeral benefits? A.—Yes, that was discussed.

Q.—Was it looked upon as being a difficult thing to obtain the power to carry on the sick and funeral business? A.—Oh, not outside of the expense and trouble.

Q.—There was a report made to the Executive Council by the Head Physician and the Head Banker—that is Mr. Luscombe? A.—Yes.

Q.—And the Head Physician was Dr. Harrison? A.—Yes.

Q.—That report is not dated but it is marked by you as being adopted on the 19th June, 1902. Would that be an Executive meeting, or would that be when it was brought up before some— A.—That would be an Executive meeting.

Q.—The Committee appointed to consider the matter of sick benefits, reports as follows: (1) "An informal application was made to the Ontario Government" (reads down to the words "this permission the Inspector of Insurance refused to give.") Can you say why the Inspector of Insurance in Ontario refused to give permission? A.—No, I could not say.

Q.—You do not remember? A.—No.

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Q.—Number 2, "It was not considered desirable" (reads from report.) Then attached to that is a further report, "the Committee appointed to consider the matter of sick benefits supplement their report made to the last meeting of the Executive Council as follows:—(1) An interview was had with the Superintendent of Insurance in regard to an application to the Dominion Parliament for an amendment to the Act of Incorporation, and the Superintendent said that in his opinion his Department, if requested on any such application, would report adversely. (2) In the opinion of your Committee no method of carrying out the resolution of the Head Camp exists, except by an amendment to the Act of Incorporation, which amendment your Committee is of opinion would be expensive and difficult. All of which is respectfully submitted." That is signed by the same parties. That would appear as if both the Ontario and Dominion Insurance Departments were opposed to the granting of this privilege? A.—Yes.

Q.—And it is stated there that it would be difficult to obtain legislation? A.—Yes. I do not think the Ontario Government would have given the privilege.

Q.—Can you tell me what objection was made to the granting of the privilege by the Superintendent of Insurance at Ottawa? A.—I do not think he gave any specific reason.

Q.—Was he satisfied when you agreed to accept the provisions that were in the Act whereby you were bound to keep up the regular reserve of other insurance companies with respect to your liability under those policies? A.—I am not certain.

Q.—Would that be the objection that he made? A.—It might have been. I cannot say for certain about that.

Q.—The sick and funeral benefits would be a species of life insurance in that \$100 was payable at death? A.—That was funeral expenses. \$50 was payable at death.

Q.—Whatever the amount was, that funeral benefit was really insurance? A.—Yes, money payable by the company on the death of the member.

Q.—And the Superintendent of Insurance required that you should assume the obligation under the amending Act of maintaining a reserve on the Hm. table on the basis of 3½ per

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cent. interest, in respect to that liability under the policy? A.—Yes.

Q.—Probably that would be the objection that was made if you sought the legislation without any obligation, and I suppose you did? A.—Well, of course when we sought the legislation we did not suggest the rates we were going to charge.

Q.—You would not suggest that you should be required to maintain a reserve? A.—No.

Q.—Then besides that provision, there is also a provision as to rates, is there not? A.—For the Sick Benefits?

Q.—Yes. A.—Yes, page 22.

Q.—In the Act is there any provision, it is section 5, is it not? A.—not.

Q.—I thought there was a provision, it is section 5, is it not? A.—Yes, Section 5.

(Report of Committee on Sick Benefits Exhibit 519.)

Q.—That section provides that the expression "the fund" means the Sick and Funeral Benefit Fund, mentioned in the section substituted by this Act—(reads section.) So that the Act afforded protection to the members in both respects? A.—In both respects.

Q.—Both as to the reserve you had to maintain on those certificates when issued, and as to the rates you were to charge? A.—Yes.

Q.—Stipulating that they should be proper for that branch of your business? A.—Yes sir.

Q.—Then the Act makes the funds of that Department entirely free of any general liabilities of the Order? A.—Yes.

Q.—And you are not entitled to use them for any purpose at all, save for this object of paying the sick and funeral claim? A.—Yes.

Q.—Is the money of the Sick and Funeral Fund kept in the same banking account with your other moneys? A.—Yes.

Q.—It is mixed in your bank account? A.—Yes.

Q.—You have a separate set of books, of course, for that account? A.—Yes, a separate set of books.

Q.—But you have never thought it wise to keep the cash absolutely apart? A.—No.

Q.—Has that ever been discussed at all? A.—No.

Q.—Never been any suggestion by any person that it would be wise to so separate the funds that each one would be practically and entirely a

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separate account from beginning to end? A.—No, no suggestion.

Q.—Don't you think it is advisable? A.—Well, it would not do any harm. The amount is not very large.

Q.—What is the amount? A.—It is about \$1,100 or \$1,200.

Q.—Do you know what the reserve liability is on those certificates? A.—No.

Q.—Have you ever computed it? A.—No.

Q.—Never had it computed for you? A.—No.

Q.—You know whether you maintain the reserve? A.—You could not tell without it is computed.

Q.—How much do your certificates amount to now by way of funeral benefits? What is the aggregate balance outstanding from certificates? A.—I think there are about 400. I am not certain as to the number.

Q.—But you think there would be 400? A.—Yes.

Q.—That would be 400 out of a membership of what? I think you said 11,000 in London? A.—Yes.

Q.—400 out of a membership of 11,000 have taken the sick and funeral benefit funds? A.—Yes.

Q.—And there would be about 20,000, you suggest, in the aggregate? A.—Yes, 20,000. The exact number is given in my report there.

Q.—And you have never made any inquiry to see whether you are carrying out the requirements of this section of the Act? A.—No.

Q.—Then the by-law governing that part of the business of your Society is 95; that sets out all the rules governing it? A.—95a.

Q.—Do you know what your income would be this year on the basis of the business you were doing from that branch? What does it amount to by way of receipts from your members? A.—Well, really I cannot say. If you will hand me that form I will give you an idea. (Witness looks at document.) Approximately \$3,000.

Q.—And this is the second year that you have been carrying that? A.—The third year.

Q.—Don't you think it is about time that you valued your certificates, and decided what the reserve was, and ascertained whether you were coming within the Act? A.—Yes, it might be. There were very few policies issued the first year.

Q.—Yes, of course that would be so, but it would seem that the first few years are the hardest years to keep up a reserve under the Dominion Legislation? A.—Yes, there were

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504 certificates in force at the beginning of the year instead of 400—504 on the 1st January.

Q.—So that it would amount to about \$25,000? A.—Yes.

Q.—On the 1st January, 1906? A.—Yes.

Q.—I suppose you have issued a great many since? A.—Yes.

JUDGE MacTAVISH: 1st January, 1905? A.—Yes.

MR. TILLEY: Q.—That is a year ago? A.—Yes.

Q.—What does it amount to? A.—611.

Q.—1st January, 1906? A.—Yes.

Q.—That would be over \$30,000? Yes.

Q.—And how many have you issued since the beginning of this year? A.—I suppose we have issued 200 or 300 more.

Q.—So that it would amount probably to about \$45,000 now? A.—Yes. Of course some of the others would drop out.

Q.—So that there is that aggregate amount of outstanding liability on the certificates and you do not know what the reserve should be on those certificates, whatever you choose to call them? A.—No.

(The Commission then adjourned until 2.15 p.m.)

#### AFTERNOON SESSION.

Resumed at 2 p.m., September 27th, 1906.

Examination of WILLIAM C. FITZGERALD continued:

MR. TILLEY: Q.—Is this the ledger that has been written up since the time the matter came up in London? A.—Yes.

Q.—This indicates the work that has been involved in re-writing, I suppose too? A.—Yes.

Q.—It commences with an account headed "Insurance Fund" at page 2, can you tell me who planned the keeping of the account in that way, did you? A.—No.

Q.—Is that a copy from an old book, or is that a new account now made up for the first time? A.—It is a new account.

Q.—It commences 1898, December 31st, and on the debtor side balances with the amount \$4,792.11; then on the credit, side December 31st, disbursements \$51,111.47; where did those disbursements come from, where did you get that total? A.—That is

Q.—Have you the cash book here? A.—Yes.

Q.—Take the next item on the debtor side, assessments \$5,044.33, where does that item come from? A.—The cash book.

Q.—You have not that here? A.—No.

Q.—Take the last annual statement you sent in to the Department, that would be down to 31st December, 1905? A.—Yes.

Q.—The amount of cash at Head Office was shown to be \$2,580.56, and then cash in banks \$29,834.50. Show me from your books where you get those items? A.—Here is one.

Q.—What have you there? A.—\$9,330.47.

Q.—What does that represent, that represents your account with the Canadian Bank of Commerce, a current account? A.—Yes.

Q.—You do not keep an account where you show the deposits and the cheques out? A.—No, the cheques are all in our cash book.

Q.—The cheques would appear in the cash book, but they do not appear in the account you keep with the bank? A.—No.

Q.—This just shows balances beginning and end of the year? A.—Yes, we do not pay money any other way except by cheque.

Q.—Show me how this amount is made up? A.—\$18,386.09.

Q.—That is in the Savings Bank account in the Bank of Commerce? A.—Yes. Dominion Bank, \$5,418.37; Standard Bank, \$5,413.20; Standard Bank, Parkhill, \$2,068.54.

Q.—Why is that account there? A.—It is just a special deposit we opened up.

Q.—Is there anything connected with it that makes it a special transaction? A.—No.

Q.—Why did you deposit in Parkhill? A.—Well, Mr. Hodgins wanted us to make a deposit there.

Q.—Is that where Mr. Hodgins lived? A.—No, in Lucan.

Q.—Why did he want a deposit made at Parkhill? A.—I do not know, except bankers are anxious for deposits.

Q.—For that reason you put a deposit in the Standard Bank there? A.—Yes.

Q.—Are the other accounts—here is another account in the Standard Bank at Lucan? A.—Yes.

Q.—Any others outside of London? A.—That is all.



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Q.—And that is all you have in the Standard Bank? A.—Yes.

Q.—In whose name in the Standard Bank? A.—The Order.

Q.—How are cheques issued or signed? A.—Signed by three.

Q.—Yourself? A.—Mr. Luscombe and Mr. Hodgins.

Q.—Does that make up all the cash? A.—Yes.

Q.—That shows \$40,616.67 cash in banks, but the return to the Government shows \$29,834.50; how do you explain that? A.—There were outstanding cheques of a certain amount \$9,694.28.

Q.—Where did yet get that amount? A.—Those were cheques that were not paid during the year.

Q.—Where did you find that amount, how do you know there were those cheques outstanding? A.—Because we were not paid last year.

Q.—Have you any list of them? A.—There was a list in my Government return.

Q.—Of the outstanding ones? A.—Yes.

Q.—Outstanding cheques \$9,724.28; so far as the books show you have nothing that would show from time to time what cheques had been issued on the bank account as far as these books show, this ledger? A.—Yes, not in this ledger.

Q.—What would show that? A.—Our cash book.

Q.—The cash book which would show a payment out in cash? A.—Yes, by cheque.

Q.—Of necessity it would be by cheque? A.—Yes, that is the only way.

Q.—But there is nothing in your books to show the state of your bank account in that regard except by going through to see what liabilities you were supposed to have paid? A.—What cheques had been paid.

Q.—And find out what ones of those had not come into the bank account? A.—Yes.

Q.—I see you have already told me that the balances for this bank account in the Bank of Commerce, and I suppose the same thing would apply to others, are got by taking the bank pass book and taking the balances as appears from that bank pass book? A.—Yes.

Q.—You do not get the balance from the bank account in any way by reference to your cash book, but to your bank cash book? A.—Bank pass book, yes.

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Q.—Can you get your balance from the cash book? A.—Yes, the cash book should represent the balance of the books in the bank.

Q.—That is to say having kept an account in your cash book then the balance according to that book should be the same as the balance in the bank? A.—Yes, except what cheques were not paid.

Q.—Let me see the cash according to the cash book on the 31st December last? A.—This is not the book. (Refers to cash book, page 184).

Q.—What is this? A.—This is a detail of receipts, for instance the man makes the payment and that is divided up.

Q.—A certain part of his payment would be credited to the insurance fund and a certain part to supplies and so on? A.—Yes.

Q.—Get the other cash book? A.—Here are the balances, \$23,720.90 (on page 12).

Q.—How do you make that agree with your annual returns; you have given the cash at the Head Office \$2,580.56; you have given cash in bank \$29,834.50, and then you say deducting from the total amount to your credit in the banks as appear by the bank books the amount of outstanding cheques, not cashed at the end of the year, that those items are in accord; how does that accord with your cash book? which shows a balance of some \$23,000? A.—The Standard Bank at Lucan and the Standard Bank at Parkhill, we consider those special deposits as investments, and they do not show in this balance here as cash.

Q.—They do not show in your cash book as cash? A.—No.

Q.—Where do they show? A.—They are entered here in this ledger. We consider those special deposits as investments.

Q.—How much do those two accounts amount to? A.—They amount to \$9,000.

Q.—Exactly? A.—Yes.

Q.—They are not deposited in round amounts? A.—They were at first.

Q.—When was the change made? A.—There was no change at all in these accounts.

Q.—You mean to say the interest added on? A.—Yes, increases the amount.

Q.—It is exactly \$9,000, interest and all? A.—No, not interest and all.

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Q.—What was it at the end of the year, one of them was \$5,413.20? A.—\$5,418.37.

Q.—What was the other one? A.—\$5,413.20.

Q.—And the third one? A.—\$2,-068.54.

Q.—That is \$12,900.11? A.—Yes.

Q.—That \$12.911 should be added to your cash as it appears in your cash book to bring what is in the banks? A.—To bring what is in all the banks.

Q.—Tell me what is the balance according to your cash book? A.—\$23,720.90.

Q.—That would make altogether \$36,621.01, and the cash in banks and in your head office amounts to \$32,-415.06—

MR. KENT: You can never balance in that way. If I understand it he has added to the amount of cash actually in bank the cheque that has been drawn.

MR. TILLEY: He has subtracted from the cash in the bank, the cheques that have been drawn.

MR. KENT: Those cheques have been entered in the cash book as paid. They are supposed to be out of the way altogether. The cash which should be in the banks, which would be if all the cheques were paid, should exactly correspond with the cash book, including the cash on hand.

WITNESS: It figures out exactly right.

MR. TILLEY: We have tried to figure it out; will you figure it out and show us, just make a statement showing how you make those items accord? A.—Here is a statement of the different amounts here. (In the Government returns.)

Q.—Then from that you have taken \$9,724.28 of cheques outstanding? A.—Yes.

Q.—These bank transactions with the Standard Bank are included there as cash in bank? A.—Yes.

Q.—Can you make your cash according to your cash book accord with these items here, and if so how do you do it? A.—We did do it.

Q.—Start with your cash balance of 31st December, 1905, and show how that agrees with the return you have made to the Government, and with what appears to be in the banks?

MR. KENT: I suppose there was some cash actually on hand not deposited in the banks?

MR. TILLEY: Yes, we have included that.

A.—I cannot make it come just

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now, but if I had time I could make it come; I did do it.

Q.—You have done it at some time? A.—Yes.

Q.—But you cannot do it at the present moment? A.—No.

Q.—What difference do you make now in the way you figure it at the present time between the cash according to cash book and the cash according to bank book? A.—Just about a thousand dollars.

Q.—Can you account for that at all? A.—No, but I am satisfied I can work that out all right.

Q.—Have you taken into account the sick and funeral department money? A.—Yes we have taken account of it there.

Q.—Have you taken account of it in your computation you have made just now? A.—Yes.

Q.—And still a thousand dollars or so over? A.—\$1,015.

Q.—You cannot make that accord; and I suppose it will be unfair to ask you now which is right, because you say they do accord, if you had time to figure it out? What do you mean, which is right, the books or the statement? A.—Yes? I think they are both right.

Q.—Your contention is that they both agree, only you cannot just make them agree at the moment? A.—Not just at the moment.

Q.—We will come back to that, when you have had more opportunity for that. Take from this new ledger your debentures as they appear in the individual accounts for the debentures on the 31st December, 1905? A.—Each one?

Q.—Yes, and give the amounts? A.—\$40,906.75; \$5,000; \$2,290.39; \$26,-970.78; \$5,651.36.

Q.—What is that? A.—Town of Parkhill.

Q.—Then you have to deduct the credit? A.—That is accrued interest and deduct this—

Q.—\$5,480? A.—Yes. The next is \$2,637.85.

Q.—There is something else to add, making it \$2,700? A.—Accrued interest.

Q.—And that gives the debentures separately? A.—Yes.

Q.—And the total of that is what? A.—\$83,347.91.

Q.—What is it there? A.—\$82,-064.93.

Q.—There is a difference there of about \$1,300; how do you explain that? A.—Accrued interest is added in.

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Q.—Is it not in that? A.—No.

Q.—If you leave out the accrued interest it does not amount to that?

A.—I should think it would.

Q.—Have you added in accrued interest all the way along? A.—Yes.

Q.—This is an account that professes to show the state of your debenture and bond account down to the first day of January, 1906, in fact the balance is carried over from the 31st December to 1st January, 1906? A.—Yes.

Q.—That balance should take into account everything accrued down to the 31st December? A.—If the accrued interest is added to that it will make that \$88,000.

Q.—You do not show the accrued interest in this account? A.—No.

Q.—Why? A.—We have a special account for accrued interest.

Q.—And you do not show it as being something owing on these debentures? A.—No, not there, not in the general account.

Q.—Where do you show it? A.—We show it in each individual item.

Q.—Where is the account; just go through those different items and show what the accrued interest is? A.—I think we gave a statement of what the accrued interest was.

Q.—You say the difference between these individual amounts and the collected amount is made up of interest? A.—That must be the difference; they are the very identical accounts you know, all added together.

Q.—Will you run through the individual accounts and point out the interest that is included, till we sum it up? A.—There is the accrued interest account.

Q.—I am not asking you to turn to some other account, I am asking you to take from these individual accounts the items that make the difference between these accounts and your general debenture account? A.—Take the Town of Clinton, \$801.99 alone of accrued interest.

Q.—That is the \$26,000 odd debenture? A.—Yes; and Parkhill \$88.62; Mount Carmel \$62.44; that is all.

Q.—\$953.05; but we want \$1,300? A.—Watford, \$118.60.

Q.—Then you credit that, that is on the other side of the account too, that cannot be included. Where is the \$801? A.—(Shows.)

Q.—That interest is credited there too, on the Town of Clinton? A.—Yes.

Q.—It is charged and credited, so that that item of interest disappears? A.—No, that does not disappear, that was not paid.

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Q.—Here it is up here? A.—No, that is the year previous, that is the balance you see.

Q.—You account then for about \$900 of it, but that does not make them agree? A.—Not exactly if the addition is right.

Q.—The addition seems to be right, it has been checked by two or three persons. The account which you have there which we call the General Debenture Account, does not carry forward the items computing the interest charged up, credit interest paid, and so on, it just shows what the debentures are worth, the valuation.

Q.—You take the actual figures for it, you do not value them any differently from what you paid for them? A.—No, the actual figures.

Q.—It is supposed to be a true record of the cost and of additional interest that has accumulated, less payments made? A.—Yes, exactly.

Q.—And that does not seem to accord with the individual accounts. Did you put in the returns the individual items or the gross item in the general account? A.—The gross.

Q.—And you cannot explain where the difference is with respect to that item either? A.—Not just at present.

Q.—Take agents' ledger balances as you return it to the Government, \$266.90? A.—That is taken from a small petty ledger.

Q.—Let us see it? A.—It is one of those loose leaf ones; I did not bring it with me. It is made up of very small items, a large number.

Q.—Is it an account that is opened and then entries made periodically as they occur, or is it a record of balances at the end of the year? A.—No, it is made as they occur.

Q.—These items being charged up to some agent? A.—Charged up to local camps. We put it under the heading of Agents.

Q.—Those items paid to agents or to some local camp in that way would appear in your cash book? A.—Yes.

Q.—Show me how you keep track of those items in your cash book, is there any column for them? A.—Yes.

Take this one, for instance that is a sample.

Q.—That is in the column headed "Supplies?" A.—Yes.

Q.—Do you call that agents' advances? A.—That is the heading in the Government statement; we do not use it ourselves.



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Q.—What items do you charge up to that column called supplies? A.—Supplies we sell to the different camps.

Q.—Is this received or money you have paid out? A.—Money received.

Q.—So that is money you have received from some camp for stationery? A.—Yes.

Q.—Then the corresponding cash book? A.—That would go to his credit in the little petty ledger.

Q.—What I wanted to know is where do you show, if money is paid out, which is afterwards coming in as agents' balances? A.—We do not pay out the money to camps.

Q.—Where did you get this item Agents' Balances? A.—It will be the balance of the different accounts. We send out supplies, we do not pay anything out to them; we send the goods out.

Q.—You send the goods out to those camps and then they sometimes do not pay promptly? A.—They do not pay promptly.

Q.—And the money they owe for supplies you put in in your annual return as balances owing by agents? A.—Yes.

Q.—And that would be owing by some camp to the Head Camp for stationery? A.—Yes.

Q.—They are not advances made to any person? A.—No.

Q.—And they are not advances in reality at all? A.—No.

Q.—They are debts owing to the head camp? A.—Yes.

Q.—Assessments due and uncollected on policies in force about \$10,604.10—where did you get that? A.—That is estimated.

Q.—They are assessments due and uncollected? A.—They might never be collected.

Q.—Show me where the item is kept in your books regardless of whether you will collect it or not?

MR. KENT: Is that statement sworn to?

MR. TILLEY: Yes.

WITNESS: It is written in there "Estimate;" we usually do.

Q.—"Assessments due and uncollected on policies in force?" A.—We usually write the word "estimate."

Q.—You did not do it this time? A.—Possibly not in that copy.

Q.—This is the one that is sworn to by you, and this is the Government copy? A.—We usually write "estimate" in those.

MR. KENT: Just now you told me you had written it in, and it was

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there? A.—I do not see it in that copy.

Q.—You are on oath, and if we find these statements are incorrect what credence can we put on any of your testimony? A.—That statement is correct.

Q.—It does not seem as though your books were balanced in any way, or that they are correct in any particular item?

MR. TILLEY: Where do you find this item (shows)? Assessments and dues uncollected appear at page 86 of this new ledger, and these are balances at the end of the year, commencing in 1899. To amount uncollected 31st December \$5,219.27; then on the same date on the credit side, by what? A.—Adjustments in 1899.

Q.—\$6,118.67? A.—Yes.

Q.—And then dues, what is that? A.—Dues on above.

Q.—Dues on above \$899.40, balances the account at \$6,118.67 on each side? A.—Yes.

Q.—Where do you get those items? A.—The payments?

Q.—Where do you get your amounts uncollected, where did that item come from? A.—It is made up of the amount of assessments.

Q.—Where is the account that shows the making up of that item? A.—We never opened any.

Q.—How do you evolve that as the proper amount? A.—Because we calculated at the end of each year.

Q.—How did you calculate it, what was the basis of your calculation, where did you get your material to calculate it on? A.—We take it, for instance if camp number one owed us one month's assessments, that would be about \$400. If every member paid that there would be \$400 due to us and so on down the whole list of 200.

Q.—You could tell if you kept your books accurately how much the different camps owed you at the end of the year? A.—Yes, if you would balance each member's account.

Q.—You have an account with every member? A.—Yes.

Q.—But that account is capable of being balanced? A.—Yes.

Q.—But you do not balance it? A.—No, it is a big job: there are 11,000 accounts, and some of them may never be paid at all.

Q.—In order to make up what is due you at the end of the year you approximate it? A.—Yes.

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Q.—And then you put that in the book? A.—Yes.

Q.—And in the return? A.—Yes.

Q.—And there is no way of verifying that? A.—No.

Q.—And then having put it in your book as a debt owing to the society how do you get rid of it? A.—Those assessments will re-adjust themselves next year, if they are paid they are put in as receipts.

Q.—We cannot say if they are paid, because there is no particular item you have in mind that is to be paid, that is only a jump to put in that amount; you cannot say whether that is paid or not, because you do not know what the full amount was, and you do not know what there was to be paid? A.—Not exactly.

Q.—But the following year—is that what this credit means, by adjustment in 1900, by adjustment in 1901, all down here? A.—Yes.

Q.—So that at the end of 1905 you appeared to have \$12,515.51 of dues uncollected? A.—Yes.

Q.—That would go to make up the surplus funds of the society? A.—Yes.

Q.—And you do not know whether that was too much or too little? A.—I think it would be about right. I could not tell exactly whether it was too much or too little.

Q.—Could you tell whether it would amount to \$10,000? A.—Oh yes. I think you have a statement in the back of that which shows how they are made up. Here is the way the estimates are made. We estimate this camp number one owed \$386.39 for assessments and \$64.80 for dues, a total of \$463.21; and right all down the line the whole list.

Q.—You go over each camp? A.—Yes.

Q.—And make an estimate on sheets of paper and total them up? A.—Yes.

Q.—And whatever the total comes to you put in your books at the end of the year? A.—Yes.

Q.—And you get rid of it the next year by just putting an adjustment entry on the credit side of the page? A.—Yes. There is the total. This is pretty carefully done, this estimating.

Q.—What is this \$10,604.10, is that the amount we are talking about now? A.—That is part of it.

Q.—What does this total come to? A.—12,876.53.

Q.—How is it you have not that amount in here—you have some

credit to make on that? A.—Yes.

Q.—However, that is the method by which you arrive at that item in the return? A.—Yes.

Q.—You have annual dues in process of collection, have you any account for that or any place where that is gathered together, \$1,911.41? A.—That is part of it.

Q.—Arrived at in the same way? A.—Yes.

Q.—There is no account you have in your books where a record of that is kept? A.—No, not any more than that one.

Q.—An entry at the end of the year? A.—Yes. We only make that up once a year.

Q.—On your return you show your assets, and then you set out the liabilities and the difference in case you have a surplus of assets over liabilities, amounting to \$157,274.32. Have you any account in the books that shows that item? A.—Shows the total?

Q.—Yes? A.—No.

Q.—Don't you on the 31st December carry all these accounts you have in the book into some one account, where the amount of your assets over liabilities? A.—We assemble the debentures together and assemble the mortgages together—

Q.—In any account? A.—In the account you have seen.

Q.—Where do you carry them to from the different accounts, into any final account? A.—No, we do not make up any balance account.

Q.—This item is arrived at by simply subtracting the liabilities that you have put in your annual return from the assets in the annual return? A.—Yes.

Q.—And there is no account that you have in your books which would afford a check for that item at all? A.—No.

Q.—Don't you carry some of these accounts into profit and loss account? A.—No, we never opened a profit and loss account, unless there is one opened here. (In the ledger).

Q.—Page 28, I think it is, Profit and loss account. In that profit and loss account the first item you have on the debit side is the amount of the insurance fund in 1899, and you carried into this account balances from other accounts, and the surplus at the end of 1905 according to this account is how much money—\$19,354.97—that is called, when you transfer it from page 28, a surplus

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account on page 34, and that account figuring it up in your way indicates what you regarded as your surplus? A.—Yes.

Q.—Does that agree with the annual return? A.—That is just a cash surplus.

Q.—You do not bring into that account your debentures or any of your investments? A.—No.

Q.—Of course that cash surplus does not agree with either the cash according to the bank account or the cash according to your cash book, does it? A.—No, it does not.

Q.—And could you explain why that is? A.—I did not make this up.

Q.—You are not responsible for it? A.—I did not make up this account, no.

Q.—Who made it up? A.—Mr. Eastwood.

Q.—Who is he? A.—He is an accountant.

Q.—Where? A.—In the City of London.

Q.—And not permanently connected with your company? A.—No.

Q.—He has been helping you get some order out of the books since the Commission was in London in June, is that right? A.—Yes.

MR. TILLEY: I think I will ask Mr. Fitzgerald to step out of the box. I think I shall just establish from Mr. Edwards the best sort of evidence I can give Your Honors as to what we find in connection with the investment end, because we are not in a position really to criticize effectually, nor to approve of what we find in the books, and I want to establish the difficulties we have to meet in that connection.

MR. LUSCOMBE: Your Honors will remember with regard to that point we admitted that Mr. Edwards' wishes had not been carried out, owing to misapprehension of what they were.

JUDGE MAC TAVISH: We understand that, Mr. Luscombe.

GEORGE EDWARDS, sworn, examined by

MR. TILLEY: Q.—On behalf of the Commission you undertook to make an investigation into the books of the Woodmen of the World? A.—Yes.

Q.—For the purpose of ascertaining what matters should be brought out before the Commission? A.—Yes.

Q.—Would you just state to the Commission what condition you found

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the books in, and the facilities you had for making any effective check of the books? A.—In June, I think it was, I found that they had a very excellent system of cash books, but they had left their accounts there and had not carried them or summarized them into a ledger or any other book that would enable me to say whether that money had been accounted for, all the money invested was shown in the form of securities or otherwise, or to say what the progress of their different funds, insurance, expense or emergency fund, was from time to time, and I so reported to Mr. Tilley; and of course you knew what took place then, the adjournment. They undertook to have the books prepared.

Q.—How do you find them at the present time? A.—I corresponded several times with Mr. Fitzgerald to ascertain what progress he was making, and asked him to send the statements from which I could gather whether they were proceeding along proper lines. He sent me some statements, but I found yesterday upon comparing these statements with the books these statements had not been taken from the books at all, excepting to a certain extent, and that the entries in the books were simply a collection of memoranda placed there and had not been derived in the regular method of book-keeping from the other books except to a limited extent, and there seemed to be an effort to make up in several different ways, each of which was entirely inconsistent with the other; consequently no consistent result could possibly be arrived at from the books, and I abandoned any effort to get an intelligible result after spending some hours in order to put together different parts of the books that I saw.

Q.—To be able to make an effective examination to ascertain whether the funds of the Society are all on hand what would be necessary? A.—I want to see on the books an account for every dollar of receipts and every dollar of disbursements in some way, and unless every dollar is accounted for in some way there is no possibility of saying whether we have got it all. You cannot tell anything about the aggregate, the investments for instance, if you are only shown isolated disbursements that purport to deal with investments; you must see what the entire operations of the Society are.

MR. LANGMUIR: Have not the books been audited? A.—There is a



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signature of some person, an official auditor of the Order—I have forgotten his name; a Sarnia man I believe.

MR. KENT: Telfer? A.—That is the name; but it is quite clear to me the books had not been audited.

MR. LANGMUIR: Could there be an audit of them? A.—He could not possibly make an audit that was worth a cent from what I saw.

JUDGE MAC TAVISH: Have they a book-keeper outside of Mr. Fitzgerald?

MR. TILLEY: Mr. Fitzgerald spoke about that in London, and he said he had two or three young ladies there in the office, and the work was going on under his direction.

JUDGE MAC TAVISH: Of course Mr. Fitzgerald, as I recollect, had not the time to attend to the details of book-keeping owing to his other duties, and the book-keeping of this Society does involve a great amount of detail, or does it? A.—As to the details, the forms of what we would call the subsidiary books, that is the books that amplify everything else, are very good indeed, and there is the foundation for a nice system of book-keeping which would not occupy more than a few hours every month to complete. The book-keeping has been carried along to a point that renders it comparatively easy to finish it, but it has never been finished, and there is not much required in the way of additional book-keeping, and scarcely anything in the way of additional labor in order to put the books of that organization in good shape.

MR. TILLEY: It would be as easy, I suppose, to keep the books properly as they are kept? A.—Yes.

MR. LANGMUIR: Is there a cash book? A.—Yes. The cash book is a good cash book, and it is well kept.

MR. TILLEY: Is that balanced? A.—There is a balance brought down, I have not personally tested to see whether those have been brought accurately down. I had hoped to get that test from the result of the ledger work that I had got at. It may be that the auditor has tested those additions and compared some vouchers, but that is only a part of an audit.

Examination of WILLIAM C. FITZGERALD continued:

MR. TILLEY: Q.—Have any loans been made to any of the officers of the Woodmen? A.—Yes.

Q.—What ones? A.—One.

Q.—To whom? A.—To Mr. Luscombe.

Q.—Who is Mr. Luscombe? A.—The head banker.

Q.—What was the amount of the loan? A.—\$4,500.

Q.—On what? A.—On a mortgage.

Q.—On real property? A.—Yes.

Q.—Worth what? A.—It was valued at \$7,000; it is first-class security, no better in the city.

Q.—Have any other loans been made to any officers of the Woodmen? A.—No.

Q.—Not even on mortgage? A.—None whatever.

Q.—I see that at the end of 1905 the amount of your debenture loans was \$136,946.60, and the amount of your loans on real estate was \$54,881.67; that shows about the division that has existed as between debentures and mortgage loans with your Society? A.—Yes.

Q.—Do you know what average rate of interest you obtain on your investments—have you figured that out? A.—On the mortgages?

Q.—Yes? A.—It would be slightly under five.

Q.—And on the debentures? A.—About four per cent., perhaps not quite four per cent., as the County of Middlesex is the largest block and they are only three and a half.

Q.—What is the arrangement as to the deposit with the banks, you said they were treated as investments by you in your returns? A.—The special deposits?

Q.—Are they there for a definite period? A.—No, we did not make any arrangement.

Q.—What rate of interest do they bear? A.—Three per cent.

Q.—And no time fixed during which the money is to remain in the bank? A.—No, it is on call.

MR. LANGMUIR: Three per cent. on daily balances? A.—On monthly balances.

MR. TILLEY: Q.—Is that the same rate you get on other bank moneys you have deposited? A.—Just the same.

Q.—Under the amendment, whereby you were allowed to carry on the sickness insurance, it was stipulated that you might be called upon to put up a deposit of \$10,000? A.—Yes.

Q.—Have you yet been required to do so? A.—No.

Q.—There has been no correspondence about that? A.—None.

Q.—I suppose from what you have told us you could not put up that deposit out of that fund? A.—No.

Q.—Because you have not that much money in that fund? A.—No,











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